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RESTORATION OF THE GREAT NORTHERN TELEGRAPH COMPANY'S RIGHT OF BUSINESS

DEPARTMENT OF COMMUNICATIONS

UNDER the charter granted indefinitely by the Japanese Government, the Great Northern Telegraph Company of Denmark landed in 1871 its cables from Vladivostok and Shanghai at Nagasaki, where it established its telegraph office and has since been handling overseas telegraphic messages in connection with the Japanese electric communication system. With a view to taking over the right the Department of Communications opened negotiations with the Company and has reached the following agreement:

(1) That the Company's right to operate submarine cables at Nagasaki be restored to the Japanese Government on June 1st, 1940.

(2) That the landing of the Company's cables at Nagasaki be limited to April 30th, 1943, when the submarine cable business of the Company in Japan shall be terminated.

The move taken by the Department of Communications is of important significance as it is calculated to put an end to the extraneous factor that has existed in the past seventy years in the telecommunication system of Japan. Below will be made clear the position of the Great Northern Telegraph Company in international communications and its relations with Japan as well as some of the reasons why the recent step has been taken by the Department of Communications.

The Great Northern in International Communications

The Company was founded in 1869 in Denmark with the object of conducting direct telegraphic communication between Europe and Asia. As early as 1871 it established telegraphic connections over a distance of 10,000 kilometres from Northern Europe to the Far East via Siberia. In Northern Europe it owns submarine cables with a total mileage of about 5,000, from Copenhagen to Leningrad, Newcastle, Helsinki, Stockholm, etc., while the total length of its submarine lines in Far Eastern waters reaches nearly 3,500 miles, connecting Vladivostok, Nagasaki, Shanghai, and Hongkong. Those cables in the West and East are connected by aerial lines across European

Russia and Siberia (leased from the Russian Government), thus enabling the Company to carry on a telegraph service extending over Europe and Asia. Besides, at Hongkong and Shanghai, the Company's lines are connected with those of the Great Eastern Telegraph Company of Britain which conducts a submarine telegraph service to the South Seas, Africa, and Europe, and with those of the American-owned Commercial Pacific Cable Company which operates the line across the Pacific. Thus the Great Northern Telegraph Company, together with the said British and American concerns, controls a world-wide network of submarine cables and occupies an important position in international telecommunication. It is incorporated in Denmark, but its investors were for the most part Russian, with the House of Romanov as one of the largest shareholders. With the fall of the Tsarist régime after the Great War, the greater part of the investment is said to have shifted to British capitalists.

Relations with Japan

As has been stated, the Great Northern Telegraph Company acquired the right to carry on overseas communication in connection with the Japanese telegraph service, and since 1871 telegraphic messages between Japan and other parts of the world have been handled solely by its Nagasaki office. By the revision of the charter in 1882 the Company formally acquired the monopoly of overseas telegraphic service in Japan, and besides the additional laying of a cable each from Nagasaki to Vladivostok and Shanghai, it obtained the right to lay a cable connecting Japan and Korea by way of Iki and Tusima islands. In China, too, the Company had since 1871 handled overseas telegrams by landing at Shanghai its submarine cables from Nagasaki and Hongkong, and in 1899 it acquired the monopoly of overseas telegraph service in China together with the Great Eastern Telegraph Company of Britain. This monopoly was effective until 1912 in Japan and till 1930 in China. In consequence, Japan, China, and Korea, despite their being closely related with one another both geographically and politically, were obliged entirely to depend upon those foreign concerns for their telegraphic communication. Those countries could not establish direct telegraphic connections between themselves without the understanding of the companies, and this has long checked the development of a network of international electric communications in East Asia under the direct control of the Japanese and Chinese Governments.

During the Sino-Japanese and Russo-Japanese wars the necessity of telegraphic communication between Japan and Korea very greatly

increased, but the Great Northern Company would consent neither to the construction of a new line nor the cession of the submarine cable which it owned. All the important telegraphic messages both military and political had to be trusted to the Company. It can easily be imagined in what a disadvantageous position Japan was placed in her overseas communication. When, in view of the growth of her national strength after the war with Russia, Japan contemplated constructing a submarine cable between Nagasaki and Shanghai, it was necessary first to obtain the understanding of the Great Northern Company which had the monopoly in China. She had to agree to the so-called joint account, thereby paying as a premium about a third of the charges made by the Company's line. In the period of over ten years, ending in 1930, the Company realized an enormous profit of 20,000,000 gold francs from this source.

The recent development of wireless telegraphy under the control of the Japanese Government has caused a gradual decline in the Company's business; yet the overseas telegraphic messages exchanged daily through its cables number 1,300, representing about 20 per cent of the total number of overseas telegrams.

An Obstacle to Japan's Communications Policy

The activity of the Great Northern Telegraph Company was of some cultural significance in the early part of the Meiji Era when the communications system of Japan was in its initial stages, but the importance of the Company's position gradually diminished with the development of a telecommunication system under the control of the Japanese Government, until at last it has lost much of its necessity. On the contrary it has proved to be an obstacle to the execution of Japan's communications policy. In carrying out its overseas communications policy, the Japanese Government had two primary objects, namely (1) the establishment of what may be called autonomy in overseas communications by constructing communication lines in which no third country is involved, and (2) the reduction of telegraphic charges by eliminating payment to foreign telegraphic concerns. However, so long as our overseas communications depend upon cable lines in possession of foreign companies, it is impossible not only to realize the independence of the communications service, but also to effect reduction of telegraphic charges, of which 80 to 90 per cent go to the foreign concerns owning the cable lines. In view of these circumstances the Government formulated and endeavoured to carry out plans for the construction of a network of overseas electric communications by utilizing wireless telegraphy,

in which the question of landing cables never arises, direct circuits may be operated with any desired country, half the telegram fees fall into our hands, requiring almost no payment abroad. In the past ten years reductions of 35, 45, 17, and 17 per cent were effected in the basic telegram rates respectively for North America, South America, Europe, and the South Seas. The rate of converting the gold franc has been reduced to ¥0.70 or half the exchange rate (¥1.39 for 1 franc). All this has been made possible by the development of wireless telegraphy. It may thus be seen that the existence of a foreign telegraph company within the territory of Japan is undesirable not only in the execution of her overseas communications policy, but also for the prevention of espionage.

New Order in East Asiatic Communications

In order to take thoroughgoing measures against the right which the Great Northern Telegraph Company enjoyed in Japan, the Department of Communications decided last March to enter into negotiations with the company for the revision of the charter. It has talked over the matter with the Far Eastern Manager of the Company, and as has been stated elsewhere, reached the agreement that the company's right to operate submarine cables should be made over to the Communications Department on June 1st this year, and that the Company should close its submarine cable business in Japan by April 30th, 1943. Hitherto the Company has accounted for a considerable number of telegraphic messages between Japan, China, and Manchoukuo, thus proving an impediment to the unity and improvement of the telegraphic system in East Asia. Those telegrams will also be exchanged through their own communication lines on and after January 1st, 1941. The step taken by the Department of Communications marks a new era in the history of overseas communications in Japan, and may be said to have laid a foundation stone for the construction of a new order in communications in this part of the world.

SOCIAL LEGISLATION FOR SALARIED EMPLOYEES AND MARINERS

BOARD OF INSURANCE

IT was at the 74th session of the Imperial Diet in 1939 that legislation was passed setting up two important social insurance systems, namely, Health Insurance for Salaried Employees and Insurance for Mariners. Since that time, the Board of Insurance has been busy drafting the ordinances and regulations for the enforcement of the systems, and it took several months before the authorities could complete their work and make the necessary preliminary arrangements. Thus the systems went into effect partly on December 26, 1939, and on March 1, 1940, respectively. Further, with the promulgation of the law governing the special account for these enterprises, which was approved by the 75th session of the Diet, both institutions began to function on June 1.

Health Insurance for Salaried Employees

Aim of this Insurance

Health Insurance for Salaried Employees is, as stated in the previous number of the TOKYO GAZETTE,[1] instituted as an important measure to meet the urgent demand for the maintenance and promotion of the health of the nation, particularly at a time when the country is confronted with the gigantic task of long-term reconstruction on the Asiatic continent and when the conservation of human resources for this purpose is of primary importance. The recently established insurance system is designed to improve the health of salaried people who work in offices and stores and to stabilize their living conditions.

It is apparent from the findings of the War Department obtained in the course of the conscription examinations that their health conditions are by no means satisfactory. Nor is the economic condition of many of them enviable when compared with that of wage earners. Under such circumstances, once they become the victims of illness, the stability of their living is likely to be immediately threatened.

It is often the case that they delay in securing medical treatment in time of illness because of financial considerations, thus aggravating

[1]See the May, 1939, number of TOKYO GAZETTE.

the diseases which would be easily curable otherwise, and consequently invite unexpected and unnecessary misfortunes. The present insurance system is one of many social insurance systems in operation in Japan, being intended to relieve the salaried classes from such a predicament just as Health Insurance for Industrial Workers is maintained for the benefit of workers in factories, mines and communication and transportation services and National Health Insurance for the people living in agricultural and fishing communities.

Scope of Application

The present insurance system is applicable to the following four classes of persons :

A. Persons to Whom the Present System is Compulsory

Those who are working as employees of offices and places of business having more than 10 persons constantly under their employment as specified below :

(1) Trading and commerce ; (2) finance and insurance ; (3) custody and leasing of property ; (4) commission agencies ; (5) collection of money, information and advertising ; and (6) other businesses to be designated by Imperial Ordinance.

It may be pointed out, however, that persons with incomes of not less than 1,200 yen a year, those already insured with other systems of Health Insurance and those who may become insured voluntarily and those designated by Imperial Ordinance are not entitled to the compulsory insurance protection. By persons designated by Imperial Ordinance is meant those employed temporarily or those employed by business institutions whose places of business are transitory such as, for instance, travelling-show enterprises, and those engaged in field work in transportation, civil engineering, agricultural, forestry and maritime enterprises. Persons employed for temporary undertakings such as expositions and those who are insurance canvassers having been in service less than six months are also excluded.

It may be added also that the present insurance system is not applicable to persons under government employment ; they are living in different economic circumstances from those working as business-office and store employees and have to be considered from a different angle.

B. Voluntary Insurance

As stated in the foregoing, business offices and places of business

may come under the categories entitling their employees to the compulsory insurance; but in cases where they are situated outside the designated cities, towns or villages or where the number of their employees is below ten, the present system is not compulsory to their employees. Nor is the compulsory insurance applicable to employees at places of business other than those specified. Considering, however, the fact that they too are in need of insurance protection, there is no reason whatever to exclude them from the system. They are simply placed outside the scope of compulsory insurance for financial reasons. Voluntary insurance is provided for this class of employees to whom compulsory insurance is not applicable.

In order to have employees voluntarily insured, the employer must apply to the Board of Insurance for a permit and he must have the consent of more than one-half the number of his employees to be insured. When insured, they will receive the same treatment as those to whom the insurance is compulsory. They also may cancel the contracts with the consent of three-quarters of their members.

C. Selective Insurance

Salaried employees who are field workers such as those in mines and factories are insured under Health Insurance for Industrial Workers, but it is often more convenient to have them insured under the present system. If, therefore, they have their employers take necessary steps with the consent of more than one-half of their members, they may be transferred to the present system. As in the case of persons who may become insured voluntarily, they may cancel their contract or return to the former system by taking the necessary steps.

D. Voluntary Continuation of Insurance

Insured persons, who have forfeited their eligibility may continue to remain insured for a certain period, providing that they had been insured more than two months.

The present system is operated through cooperation between the Government and the health insurance associations. The actual business of the Government in this connection is handled by the health insurance sections of the prefectural governments and local health insurance authorities—in Tokyo, it is looked after by the health insurance section of the Metropolitan Police Board.

The health insurance association can be established in cases where the owner of a place of business with more than 300 employees obtains the consent of more than one-half the number of employees

and the sanction of the Minister of Welfare for the purpose. It becomes a juridical person with the employer and insured persons as its members.

Medical Expenses and Allowances

Explanations of the nature of allowances to be made by the present system were also given in the previous number of this publication; however, it may not be irrelevant to repeat here certain essential points for the benefit of those who may have failed to note them. In case of illness, accident, death or childbirth, an insured person receives medical treatment and an allowance from the system. The system is so arranged that members of the insured person's family also receive aid in case of illness or accident.

For medical care, he receives approximately 80 per cent of the expense required. The expense is estimated according to the standard prescribed by the Minister of Welfare and is granted to him for a maximum period of six months in any single case. In principle, the health insurance system gives the patient the cost of actual medical treatment, but a feature of the present system is that a cash grant up to a stated amount is given and the patient must pay the balance.

When an insured person is compelled, on account of illness or accident to rest from work for any length of time, he will receive an allowance in addition to the grant for medical treatment. The allowance will be 50 per cent of his regular pay and will be given after three months of absence in the case of those who receive monthly pay and after a period of ten days in case of those who receive daily pay.

In case of death, an amount corresponding to one month of pay, 30 yen being the minimum, will be granted to his family as burial expenses. In the event of childbirth, an insured person receives 20 yen to meet the necessary expenses. During a period of 70 days of absence from work due to childbirth, a mother receives an allowance equal to one-half of her pay. It may be added that the grant of the expenses and allowances mentioned above will continue under certain conditions even after an insured person forfeits his status as insured.

Fund for Operating the System

The fund for operating the system is provided by employers, insured persons and the Government. As regards the premiums, the contributions are made half and half between the employers and employees, the rate being fixed at about 2.6 per cent of the monthly income of the latter. The National Treasury is to defray a certain amount required to cover administrative expenses.

Insurance for Mariners

Aim of the System

Insurance for mariners is another important system of social insurance and is essentially the same in character as Health Insurance for Salaried Employees. Unlike the Health Insurance, however, it embraces a wider range of protection, including an old-age annuity and protection against various dangers and disabilities attending the mariner's mode of living, in addition to illness and accidents.

The importance of providing for old age by an annuity system is felt in all classes of workers. It is however most keenly felt in the case of mariners in view of the special working conditions prevailing on the sea as well as of the basic national policy of Japan as a maritime nation; hence the incorporation of such a system in the new insurance for mariners.

Japan is a maritime nation, and it goes without saying that the successful settlement of the China Affair and the development of national strength depend much upon shipping. It is of primary importance for Japan, therefore, to acquire a large number of superior vessels and well-trained seamen for the development of the nation's shipping. But mariners living in special circumstances, which are not experienced by workers on land such as, for instance, living apart from their families, lack of adequate facilities for comforts and recreation as enjoyed on land, difficulty in securing work on land after retirement from the seamen's life. Every one of these conditions goes to show how difficult it is for one to continue the life of a seaman for any length of time.

In the light of this fact, it is necessary from the point of view of social policy as well as of national shipping policy to adopt definite measures to provide for mariners a system of old-age annuities so that they may engage in their vocation with a sense of stability and satisfaction. The Insurance for Mariners is particularly significant from this point of view. The system is scheduled to go into effect not only in Japan proper but simultaneously in Korea, Formosa and the Leased Territory of Kwantung. This is necessary because constant travelling is a special feature in the vocation of mariners.

Scope of Application

The qualifications for a mariner to become insured by this system are that he must be a Japanese national in accordance with the provisions of Article 1 of the Mariners' Law and also a member of a crew which embarks at a port of registry where the system is in force. Mariners who are not employed by ship owners and who are recipients

of salaries as government officials are excluded from the application of the system. Seamen who are members of crews of the following fishing vessels are entitled to the insurance:

(1) Troll fishing steamers; (2) vessels for mother-ship fishing, excluding subsidiary steamers attached to crab- and salmon-fishing steamers; (3) whaling-steamers, (4) vessels engaged in towing-net fishing in the area west of 130 degrees of east longitude; (5) fishing vessels for the transportation of fish and fish products from fishing stations; and (6) fishing vessels engaged in experiments, investigation, guiding, training and supervising duties, excluding seamen temporarily employed.

Medical Expenses and Allowances

In case of illness or accident, an insured person receives medical treatment and an allowance during the period of absence from work. The grant of such allowances begins in principle at the end of three months when the owner of the vessel, on which the insured person was a member of the crew, has completed his obligations in accordance with the provisions of the Mariners' Law. The allowance continues for a period of a maximum of six months. During the period of medical care, he receives an allowance which corresponds to 60 per cent of his regular daily pay.

Special attention is called to the fact that, unlike Health Insurance for Salaried Employees, the insured person in time of illness or accident receives the actual medical treatment instead of cash for obtaining such treatment. Insured mariners, whose incomes are more than 1,800 yen a year and those who receive equal treatment are not entitled to such medical care and allowances from the system.

The old-age annuity, as referred to elsewhere, is the outstanding feature of the system. When a person, who has been insured more than 15 years, attains the age of 50 after he has retired from his work or retires after he has attained that age, he receives from the system a sum corresponding to 25 per cent of the average annual amount of the pay he has received during the period insured, that is to say, an amount representing a three-months' portion of the said average.

Thirdly, an annuity or allowance is granted to a person insured for more than three years when he becomes disabled as a result of an injury or illness. In the event that the disablement is so serious as to prevent him from undertaking any kind of work for the rest of his life, the disablement annuity is granted to him for the rest of his life. If it were of such degree that he may do some work though he cannot return to the work he had been following, he receives a grant of

a single sum as his allowance. The amount of the disablement annuity is the same as that of the old-age annuity, but the single sum corresponds to seven months of the average monthly pay.

In case a person insured for more than three years retires from his work before he is qualified to receive the old-age annuity, he receives from the system a sum ranging from one month and a half to ten months of the average monthly pay. In the event of the death of a person who has been insured more than three years, a sum corresponding to three months of the average monthly pay is granted to his family.

As for the financial sources of the present insurance system, the Government takes responsibility for one-fifth of the expenses required for administration and the long-term grants of allowances. The insurance premium is shared by ship owners and mariners evenly at the rate of 8.2 per cent of the monthly income of the latter. In case of ships officers and others, whose yearly incomes are more than 1,800 yen, the rate of their share in the premium is 6.4 per cent.

The present system is operated by the Government, but the actual business of it is carried on by the Board of Insurance, the insurance sections of the prefectural governments (the insurance section of the Metropolitan Police Board in the case of Tokyo) and local health insurance authorities as well as by the government offices in charge of maritime affairs.

LOW PRICES AND CONTROL OF PROFITS

INTENDANCE BUREAU, WAR DEPARTMENT

GUIDING principles for the operation of the munitions industry were established sometime ago by the military authorities with a view to the expansion of its productive capacity. In this connection, steps have been taken recently, on the basis of strict adherence to the low-price policy, particularly in reference to the procuring of war materials, to assure the completion and execution of the revised programme for repletion of armaments and the successful operation of wartime economy—measures calculated at the same time to promote the general policy of low prices which has been pursued by the Government. In other words, these steps are intended to serve as a driving force for the rationalization of industrial operations in general by augmenting productive power, lowering production costs and properly regulating profits, which purpose can only be attained by strengthening the measures for the direction of the operation of munitions factories and for the investigation of costs and for the control of profits—measures essential to the increased production of war supplies in accordance with the low-price policy. To accomplish this purpose, the military authorities have increased the number of inspectors of accounts for munitions factories, formulating at the same time general principles to be applied in the afore-mentioned direction and control of war industries. An outline of what the authorities propose to do in this matter is given below.

An Outline of the Proposed Measures

1. *Improvement of Factory Management*

In view of the conditions prevailing today among munitions plants where, in spite of expansion in scale and increased complexity in the productive structure, there has been no corresponding rationalization in management, it is proposed to improve the technique of production and at the same time to reform all phases of business operations and working processes by good organization, careful planning and rationalization. The reduction of production costs and the healthy growth of the munitions industry are expected to be accelerated thereby, and it is hoped that on this basis a great improvement in the management of all other industries will be realized. With a view to

giving full play to the spirit of true patriotism in business administration in conformity with the wartime national structure, in which all the resources and forces of the nation are mobilized, the working principles for the direction of munitions plants will be brought to the attention of the industrialists concerned.

2. Thoroughgoing Investigation of Cost-taking and Accounts

A unified system of cost-taking at munitions plants has been in force for sometime through the operation of the general principles governing cost-taking established by the War Department in accordance with the Ordinance for Inspection of Munitions Factory-workshops. Rules governing the form of balance sheets and of the statements of profit and loss have now been formulated, prescribing the forms and contents of statistical tables to be collected from proprietors regarding accounts and prime cost. The general principles governing the supervision of cost-taking and financial affairs have also been worked out, by which it is intended to establish a solid basis for the determination of appropriate prices for goods supplied as well as a system for comparing the costs and the accounts, and thus to promote efficiency in management.

3. Strengthening of Control of Profits

Efforts have hitherto been made to prevent excessive profits by proper regulation and lowering of the prices of goods supplied. General principles on which to base the computation of appropriate profits on military supplies have now been formulated and a practical method for such computation prescribed, in keeping with the application of the general principles for cost-taking. Efforts will be made by these means to bring about a proper regulation of profits at their sources, eliminating thereby the production of excessive profits.

4. Rationalization in the Purchase of War Materials

In order to rationalize the method of procuring military supplies in conformity with the new principles for the thoroughgoing investigation of cost-taking and accounts and the strengthening of the control of profits, the Principles Governing the Procurement of Military Supplies in 1940 have been decided upon so as to enable the authorities to plan for and exercise control over the procuring of supplies. To determine the prices of articles supplied on the basis of an accurate cost-taking with an addition of rational profits have been made the

guiding principles for fixing purchase prices. In fixing prices, however, mechanical transference of the cost to the price will be avoided, and a policy will be followed under which, by taking into consideration such measures as rewards for superior efficiency in management in case of reduced costs resulting from such rationalization, the rationalization of management and the reduction of production costs will not deprive the industrialists of proper incentives.

Low Prices and Expansion of Productive Power

Not a few people who think in terms of *laissez-faire* economy believe that the enforcement of low prices and the expansion of productive power are mutually inconsistent and incompatible. However, expansion of productive power under controlled economy in wartime can never be accomplished by the stimulation of high prices, which may however for a time give rise to a tendency toward a certain increase in production in certain types of industry. But such a tendency cannot long continue under controlled economy in wartime, when necessary materials for the prosecution of the war must be produced most economically and in the greatest possible quantities through the comprehensive control and operation of limited labour, materials and funds. That high prices serve only to establish a vicious circle in which the rising tendency is only stimulated and ultimately causes the wartime economy to become dislocated and disintegrated, is clear in the light of the bitter experiences of various Powers in the last Great War.

In time of war the expansion of productive power must be so directed as to produce the greatest possible quantities with given equipment and materials, and a partial employment of equipment or its idleness must be avoided at all costs. That in order to achieve this purpose the increase of efficiency and lowering of production costs must be effected by improving productive technique and rationalizing management needs no further elaboration. What must be particularly emphasized in this connection, however, is the control of profits on the basic principles of wartime economic morality which places the attainment of national purposes and the national interests before everything else. Such efforts will result in a situation in which the expansion of productive power and the low-price policy can exist side by side without any inconsistency, and will also serve to accelerate the sound development of industry, and thus reinforce the wartime economic structure which has been set up with national defence as its central objective.

Important steps being taken by the military authorities for facilitat-

ing and ensuring the adoption of uniform systems for cost-taking and computation of profits have been explained already. And these measures will be enforced by Ordinance as from July 1. As a matter of fact, they are only what the military authorities have put into operation in accordance with the general principles governing price control and the general rules governing its enforcement which the Government adopted in April and June of last year, respectively, on the recommendation of the Central Price Commission. In the last named rules, payment of interest is classified under business expenses. In the principles adopted by the military authorities, however, the prime cost shall be excluded from operating expenses and added when computing profits, with a view to keeping the cost as pure cost, which is essential to the effective and appropriate guidance in the direction of rationalization of management under the system of comparing costs.

What the military authorities expect is that the unified system of cost-taking and control of profits should be promptly enforced also in respect of goods other than war materials and thus the wartime economic structure of the country should be strengthened. They are convinced that, in order that wartime economic operation may proceed smoothly and bring about thereby the successful settlement of the China Affair, it is most urgent to promote among the public the wartime economic morality and replace capitalist, *laisser-faire* economic principles, which make profit-seeking the primary purpose of an industrial enterprise, by a powerful system of defence-centred, controlled economy which aims primarily at the advancement of national interests under the iron-bound rule that, sacrifices accompanying the prosecution of war should be impartially borne by the entire nation and none should reap profit in time of war.

Control of Profits in Wartime Enterprises

Control of profits in wartime is necessitated by the fact that profits constitute an important factor in determining prices and that modern war is a war involving the entire resources of the nation.

For the control of profits on enterprises there are such methods as the imposition of taxes and the restriction of dividends, etc. Since, however, these are the ways of controlling profits on the basis of the results attained by the operation of enterprises, they are apt to be accompanied by wasteful expenditures as well as concealment of profits. The most effective method—particularly from the point of view of price policy—is one of controlling profits at their source; it is, in other words, a method of controlling profits on enterprises by

fixing appropriate and rational rates of profit to be added to prime costs.

This control measure, however, cannot be made perfect in practice by merely adjusting profit-rates to be added to costs. To obtain a satisfactory result it is necessary to resort to the supervision of expenditures and control of dividends.

A study of the causes of excessive profits in wartime reveals the fact that under wartime economy an automatic adjustment of prices through a natural increase in production accompanying the advance of prices, an adjustment which is the price-determining process in peacetime, completely fails to function. Under wartime economy, supply and demand become fundamentally unbalanced, and there is not the free competition among suppliers of goods which prevails under the economic organization of free markets in time of peace, and this results in the creation of excessive profits with the inevitable consequence of soaring prices.

These conditions make imperative the adoption of an artificial measure of determining prices by price control. In other words, the creation of excessive profits must be prevented by controlling them at their sources within the enterprise concerned, as well as through the control of the rise in prices by the fixing of appropriate and rational prices with appropriate and rational profits added to accurately computed prime costs. In determining such a rational profit, however, the most careful attention must be paid so that the spirit of enterprise will not be discouraged, stimulus for the reduction of prime costs of production by promoting managerial efficiency will not be lost, and expansion of productive power will not be impeded, but that on the contrary a rational development of enterprises will be accelerated.

Principles Governing Computation of Profit-Rates

The question as to how the appropriate and rational profit-rate can be determined has yet to be answered. In the following, therefore, the general principles governing such computation are explained. The first point requiring consideration in computing profits on enterprises is that of profits accruing from the operation of the enterprise proper. What are commonly regarded as business profits contain very frequently other types of profit. For instance, a concern operating in the manufacture of certain goods frequently invests capital in other concerns which have nothing to do with such manufacture, or leases its buildings, land, etc. In such a case profits accruing from the enterprise proper consist of profits obtained solely in the course of producing goods, to the exclusion of dividends

and rentals from such investments and leases. It is this type of profit which is one of the factors determining appropriate prices.

The second point is interest on borrowed money. It is usually considered that interest on a loan made in any enterprise is a debt incurred naturally in the course of business activities and, therefore, it should go into expense accounts. It is at the discretion of the proprietor of a business to decide whether to use borrowed capital or his own capital for his business operation, the question being determined primarily from the standpoint of his policy in financing the enterprise. Therefore, interest on borrowed money cannot be regarded as an item of expense arising from pure business activities. For instance, whether to obtain funds for the productive equipment by issuing new shares or debentures or by borrowing is solely determined by financial policy, and, as such, has no relation whatever to the working of productive equipment. That there should be any difference in profits accrued from productive equipment in cases where such equipment has been installed by issuing new shares and where they have been installed by issuing debentures or by borrowing money is quite irrational. Consequently it is not only adequate but also necessary for comparisons of costs to exclude interest on loans from operating expenses and to charge it to profits on the enterprise proper.

The third point is the question as to what kind of capital should be taken as a basis for fixing the rate of profit. Should it be the paid-up capital, the corporation's own capital (shareholders' capital), the aggregate capital, or the operating capital? What is generally called a rate of profit is the ratio of the profit to the paid-up capital, by which a rate of profit on the enterprise is not properly shown. Since considerable amounts of shareholders' capital or reserved profits, such as reserve funds and balances brought over, is included in the capital employed in an enterprise in addition to the paid-up capital, it is irrational to try to show the profit-making capacity of an enterprise by comparing its profit with its paid-up capital. The profit-rate of shareholders' capital is an adequate indicator when the profit-making capacity is seen from the point of view of the management or shareholders, but it is not infrequently inadequate when operating efficiency is appraised on the basis of the enterprise as a whole. The reason for this is that many enterprises employ borrowed capital in addition to shareholders' capital, and they operate on a combination of these two, which constitute the operating capital, or with the aggregate capital. It is, therefore, rational that the operating capital should be the basis of computing the rate of profit.

The operating capital comprises the funds which are actually em-

ployed for the primary purpose of the enterprise and the profit accrued from the management of the enterprise proper is produced by the operation of this type of capital. In other words, the operating capital is what is left after subtracting from the aggregate capital, the funds which are not used for the primary object of the enterprise, such as the capital invested in other enterprises or that reserved for the purpose of business expansion in the future.

The last point to be considered is an advance payment, or the question as to whether the money received in advance by the proprietor should be regarded as part of the capital. Since, however, the money received in advance is essentially what may be called a transit-account with neither interest nor profit accruing from it, it must be excluded in computing the operating, aggregate or borrowed capital.

A TWELVE-THOUSAND-MILLION SAVINGS CAMPAIGN

NATIONAL SAVINGS ENCOURAGEMENT BUREAU

THE Movement for Promotion of National Savings has now entered upon its third year. Meanwhile a new Central Government has been established in China and a new phase of the China Affair has begun, a phase of real construction. One of the most essential measures at this moment is to aid the neighbouring Republic with the resources at the command of the Japanese nation, particularly with money and materials. But these resources can be accumulated only through economy and savings practised by the people. A measure no less important in these days of international turmoil is the completion of national defence. This too cannot be effected without the combined efforts of the people along the same line. Nor can high prices and inadequate distribution of the necessaries of life—factors highly detrimental to the prosecution of the programmes for the settlement of the China Affair as well as for national defence—be eliminated by methods other than the practise of this old virtue of thrift and saving.

In a word, national savings have not only considerably increased in importance but also appeared in a new light. To what extent, then, should we save in this third year of hostilities? And what method would be the most effective in order to attain the goal for the year? In this connection, the general principles for the promotion of National Savings for the 1940 fiscal year were adopted on April 4, on the recommendation of the Commission for the Promotion of National Savings. Before taking up these questions fully, however, let us review the past achievements of the movement.

Results Reassuring

The goal for the 1938 fiscal year, the initial year, was 8,000,000,000 yen, while that for the 1939 fiscal year, the second year, was 10,000,000,000 yen. The result of the first year of the campaign showed savings of 7,333,000,000 yen, that is, short of the mark by 670,000,000 yen. This may be accounted for by the fact that the issuance of bonds fell short of the amount budgeted, with the result that governmental disbursements decreased and the people had not enough capital to apply to savings. Whatever the cause, the goal

was not reached.

As for the second year, complete returns are not yet available, particularly that for the month of March. But at the end of February the people's savings had already reached 9,503,000,000 yen. If the savings for March, 1940 amount to anything like the figure attained in the corresponding month of 1939, it would be more than 10,000,000,000 yen; thus the object of saving 10,000,000,000 yen by 100,000,000 people shall have been realized, a task by no means easy to accomplish. As a matter of fact, these funds include money sent home by soldiers at the front who saved their scanty pay; and money earned by young people in whatever time they could spare from their studies.

New Goal of Twelve Million Yen

The first goal of 8,000,000,000 yen was raised in the second year, as referred to elsewhere, to 10,000,000,000 yen and again to 12,000,000,000 yen in the present year. Of this sum 10,000,000,000 yen is for absorbing national bonds to be issued during the present fiscal year amounting to 6,000,000,000 yen, as well as to provide funds for the expansion of productive power in Japan, Manchoukuo and China, amounting to 4,000,000,000 yen. As in the last fiscal year, therefore, 10,000,000,000 yen has to be raised by national savings. Both in 1938 and in 1939, the movement for national savings on the whole was a success. On the other hand, disbursements for government expenditures have amounted to an enormous sum since the outbreak of the present conflict, with the result that currency in circulation among the people has become correspondingly great, leading to enormously increased purchasing power. What is most urgent at this time is to try by all means to absorb this purchasing power and to digest national bonds, thereby strengthening the national financial and economic operation so that the task of long-term construction on the Asiatic Mainland may be carried through to completion. Accordingly, the raising of this year's savings goal by 2,000,000,000 yen may be regarded as a step in the right direction. An important point to be noted in this connection is the different viewpoints adopted in deciding the goal for the present year in contrast to that for the preceding years. The goals of 8,000,000,000 yen and 10,000,000,000 yen for 1938 and 1939, respectively, were determined with a view to providing the necessary funds, while that for this year has been determined from the point of view not only of the funds necessary for the digestion of bonds and the expansion of

productive power, but also for absorbing purchasing power; it is, in other words, a re-commencement of the movement with new emphasis.

To attain the 12,000,000,000 yen mark would mean saving on an average of 1,000,000,000 yen per month, or 10 yen per month for each of the 100,000,000 population. This task will by no means be easy, but at the same time it is one that is not impossible, if the entire population would plan to regulate their living accordingly.

Essential Points in New Emphasis

As has been stated in the foregoing, a campaign for saving 12,000,000,000 yen has already been started with renewed emphasis. In the following the essential points of such emphasis are explained.

1. *Individual Goals*

In 1939 the goal for each prefecture was determined on the basis of 10,000,000,000 yen and that of a municipality on the goal set for the prefecture. There were also some towns and rural districts for which quotas were allotted, but this practice was not followed throughout the country. Apart from this, each group of financial institutions set its goal of absorbing funds at 10,000,000,000 yen. And the results have been more satisfactory than in 1938. It will be seen, therefore, that the method of campaign adopted in 1939, namely, determining individual goals according to the capacity of each participating body or group of bodies has proved a success. Merely to set the goal at 10,000,000,000 or 12,000,000,000 yen for the entire nation is perhaps too vague and pointless.

Therefore, the methods of approach for the present year must be made more concrete and on an individual basis. Allotment of a quota to every village and town, practised this year, is a step taken in that direction. Business houses, industrial plants, and other establishments as well as savings associations are invited to determine for themselves their respective maximum goals. Financial institutions will likewise be asked to estimate the goals for absorbing funds as well as those for absorbing national bonds with those funds.

2. *Compulsory Savings*

It is proverbially difficult to save money once a person has it in hand. When the next person, who comes into possession of the

money spent by the first person, saves it, and even if this saving comes to the same amount, the effect is minimized owing to the consumption of goods which it necessarily entails. When this process reaches a worse phase and money begins to circulate freely, it would no longer be possible to maintain a balance between money and goods; hence the importance of compulsory savings. This is one of the best systems for quickly absorbing purchasing power.

It is by no means a new system, but one that has been widely used in accordance with the standard regulations for national savings prepared by the competent authorities. The payers of salaries, wages and bonuses are expected to go further in inducing the recipients to lay aside what may be spared and to apply them to savings. Such measures as encouraging the public to save preferentially extraordinary incomes such as dividends, land and house-rents and sales premium of bonds are also to be taken.

With regard to the ratio of compulsory savings to income, each compulsory-savings association or individual should work out the maximum. Reckless spending by those engaged in prosperous industries is now attracting public attention. Factories and mines have already decided upon the average rate of saving for their workers at 15 per cent of salaries and 25 per cent of bonuses. In order to realize this ideal they are making preparations in cooperation with the bureaus for supervision of mines and the competent prefectural authorities.

3. Savings According to Resources

It is reassuring to note that saving is being practised to the fullest capacity among people of small means. In contrast to this, however, there are not a few well-to-do people who, in doing so, fall far below their capacity to save. Measures for enabling such people to realize their shortcomings in this important task of consolidating the home front and to enable them to take a larger share therein must be carried out during the coming months. Compulsory savings in their case will of course amount to considerable sums if carried out on the same percentage as in the case of people of small means. In doing so, however, they may still be saving far below the standard according to their resources. Some such plans as asking them to buy national or savings bonds whenever they make extravagant purchases of luxuries must be worked out.

4. Commemoration Savings

Savings in commemoration of important events such as births,

marriages, and entering school may be encouraged by banking institutions as a new method of promoting savings. If people are made to realize that they are thus participating in the high task of constructing the new East-Asiatic order they will gladly respond to the call for such savings. A bank in Osaka is canvassing for 2,600 savings accounts through each of its branches in connection with the 2,600th anniversary of the founding of the Empire. Many other similar plans can be worked out along this line if banking institutions and savings associations would take the matter up seriously.

5. Strengthening of Savings Associations

Since the birth of the present movement for promotion of savings the savings associations have constituted the centre of activities. At the end of December, 1939, there were over 580,000 savings associations with a total membership of 35,000,000 in Japan proper and her overseas territories. These associations have certainly functioned as a driving force for the increase of savings throughout the country. The savings collected by these organizations represent money that might have been lost through carelessness and which may well be termed "the widow's mite." What is to be guarded against, in this connection, is the drawing out of savings on short-term deposits. The savings associations, therefore, invariably stipulate that members may not draw out their savings for a considerable length of time except under unavoidable circumstances. Another method of encouraging such long-term savings is to advise the public to buy national and savings bonds. The Government is accordingly trying not only to induce the public to own bonds but also to offer the services of the post offices for keeping those sold by them in custody free of charge, thereby ensuring their character of long-term savings as well as their safekeeping.

DOCUMENTS

CONCERNING THE MAINTENANCE OF THE *STATUS QUO* OF THE NETHERLANDS EAST INDIES[1]

V

—Statement of the Foreign Office Spokesman, May 22, 1940—

At 11 : 00 o'clock this morning the German Ambassador, General Eugen Ott, called on the Foreign Minister, Mr. Hachiro Arita, at the Foreign Office. After explaining to the Foreign Minister the war situation in Europe, the German Ambassador conveyed to the Foreign Minister under instructions from this home Government that, with reference to the Japanese Government's communication of May 11, the German Government is not interested in the problem of the Netherlands East Indies. The interview ended at 11:40 a.m.

CONCERNING THE DELIVERY TO THE ITALIAN PRIME MINISTER, MR. BENITO MUSSOLINI, OF A MESSAGE FROM THE PRIME MINISTER, ADMIRAL MITSUMASA YONAI

—Statement of the Foreign Office Spokesman, May 25, 1940—

Ambassador Naotake Sato, head of the Japanese Mission to Italy, accompanied by Ambassador Amau at Rome, called on the Italian Prime Minister, Mr. Benito Mussolini, at the Venetian Palace at 5:00 o'clock in the afternoon of May 23. At the interview Mr. Sato handed to Prime Minister Mussolini the following message from Prime Minister Yonai and carried on a conversation on various matters. The interview was held in a very friendly atmosphere, contributing greatly to the promotion of cordial relations between Japan and Italy.

Text of the Message

The Italian Government previously dispatched to Japan a Fascist Good Will Mission headed by Marquis Paulutti testifying to the profound friendship of Italy for Japan, and furthermore did much to promote the economic relations between Japan and Italy by sending the Economic Mission under Count Conti. Now it is a great honour and pleasure for me to convey to the Government and people of Italy the profound respect and friendly sentiment of the Government and people of Japan through His Excellency Ambassador Naotake Sato, head of the mission specially dispatched to your country for the purpose of making more intimate the economic relations

[1] Statements 1, 2, 3 and 4 appeared in the June number of Tokyo Gazette.

and promoting the traditional friendship between our two countries.

In East Asia a brilliant new era has dawned with the beginning of the construction of a new order together with the establishment of a new Central Government in China. Clearly perceiving the present situation from the outset of the China Affair, the Italian Government and people have steadfastly maintained an attitude of sympathetic understanding and friendly assistance towards Japan, thereby creating a deep impression upon the Japanese Government and people. It is a matter for hearty congratulation not only for Japan and Italy but for all mankind who long for the establishment of permanent peace based on justice that the cooperation between Japan and Italy—two nations, respectively of the East and West known for their tradition and culture—is increasing in cordiality in political, ecomonic and cultural spheres.

In view of the extremely grave international situation arising from the outbreak of the European war, the people of Japan watch with sympathy and friendship and congratulate the efforts of the people of Fascist Italy, who are the successors to the tradition of ancient Rome, for the establishment of international justice as well as the progress of their fatherland.

It is my firm belief that Italo-Japanese cooperation which has been further solidified since the conclusion of the Anti-Comintern Agreement has the noble mission of increasingly demonstrating its real value in revealing to a dark and confused world the road to peaceful progress.

Taking advantage of this momentous occasion, I tender to Your Excellency my deep respect through this message carried by the mission now being sent to your country as a symbol of the growing cordiality between Japan and Italy and at the same time I earnestly hope that the Government and people of Italy will enjoy greater prosperity and well-being.

April 8, 1940.

ON THE PRECISE DEMARCATION OF THE NOMONHAN AREA

I

—Communiqué of the Information Bureau of the Foreign Office, June 10, 1940—

As a result of recent negotiations between the Japanese Ambassador at Moscow, Mr. Shigenori Togo, and the Soviet People's Commissar for Foreign Affairs, Mr. Viacheslav Molotov, an agreement was reached on June 9 with mutual recognition of interests of both parties—Japan and Manchoukuo, and the Soviet Union and Outer Mongolia—on the precise demarcation of the frontier in the area of last year's conflict, a question which in due time was not solved by the Mixed Commission composed of the delegates of Japan and Manchoukuo, the Soviet Union and Outer Mongolia for the precise demarcation of frontier in the said area and which has formed an obstacle to the regulation of relations of Japan with the Soviet Union and of Manchoukuo with Outer Mongolia.

II

—Statement of the Foreign Office Spokesman, June 10, 1940—

Regarding the question of precisely demarcating the frontier in the Nomonhan area after the conclusion in September last of the agreement for the cessation of hostilities, delegates of Japan, Manchoukuo, the Soviet Union and Outer Mongolia met in conference at China and subsequently at Harbin. Due to divergence of views the negotiations were suspended later in January this year. Negotiations were later resumed at Moscow between the Japanese Ambassdor to the Soviet Union, Mr. Shigenori Togo, and the Soviet People's Commissar for Foreign Affairs, Mr. Viacheslav Molotov, and an agreement of views has been reached through mutual concession and compromise. The question of precise demarcation of frontier in the Nomonhan area which has been pending between the countries concerned has thus been brought to an amicable settlement.

CONCERNING THE TREATY BETWEEN JAPAN AND THAILAND

I

—Announcement of the Foreign Office, June 12, 1940—

The treaty between Japan and Thailand concerning the continuance of friendly relations and the mutual respect of each other's territorial integrity was signed between the Foreign Minister, Mr. Hachiro Arita, and the Thai Minister to Japan, Mr. Phya Sri Sena at 10:00 o'clock this morning, June 12, at the official residence of the Foreign Minister.

This treaty has been concluded for the purpose of reaffirming and solidifying further the traditional relations of amity between the two countries and to contribute thereby toward the stability and peace of East Asia. Its main points are: (1) mutual respect of the territories of the High Contracting Parties and confirmation of the peace and friendly relations between them; (2) exchange of information and consultation with regard to matters of interest common to the two countries; (3) pledge, in case of one of the High Contracting Parties being attacked by a third country, of non-assistance to that third country. The treaty will be effective from the day of the exchange of ratifications and will be valid for five years.

II

—Statement of the Foreign Office Spokesman, June 12, 1940—

It is a matter for hearty congratulation that a treaty of amity and friendship has now been concluded between Japan and Thailand—two nations which, as is well known, have maintained very cordial relations as Oriental nations in East Asia.

The friendship of Thailand for Japan that was so unmistakably demonstrated at the time of the Manchurian Incident has been to our people a source of deep appreciation. The Government and people of Japan on their part

have always manifested wholehearted sympathy toward the growth of the spirit and movement of nationalism in Thailand. For instance, Japan co-operated fully with Thailand in her efforts to free herself from the status of inequality in international relations, and concluded with her in 1937 a treaty of commerce and navigation on a completely equal footing. The cordiality of relations between the two countries has since increased in warmth, and today the treaty of amity and friendship was signed to re-affirm and strengthen further their traditional friendly relations.

The proposal for the conclusion of such a treaty was originally made by the Thai Government, with which negotiations have been conducted through our Minister at Bangkok, Mr. Kuramatsu Murai, resulting in the present instrument.

At first a desire was expressed for the conclusion of a non-aggression treaty. But, in view of the above-mentioned amicable relations subsisting between Japan and Thailand, as well as of the fact that a non-aggression treaty is not necessarily suitable to the Japanese-Thai relations in the light of recent examples, the Japanese Government, placing more importance on mutual cooperation, have concluded a treaty embodying the points as announced. The present treaty provides for mutual respect of the territorial integrity, reaffirmation of the peace and friendly relations between the two countries, exchange of information and consultation with regard to matters of interest common to them, and pledge of non-assistance to each other's enemy. By this treaty, we believe that Japan and Thailand will be able to maintain their friendly relationship on a firm basis regardless of any change in the world situation that may take place in the future and to contribute toward the stability and prosperity not only of East Asia but of the entire world.

Great Britain and France, it is said, have been conducting negotiations with Thailand for the conclusion of a non-aggression pact. Japan has, however, always carried on negotiations for the present treaty quite apart from them and from her independent standpoint.

CONCERNING THE BOMBING OF CHUNGKING

—Statement of the Foreign Office Spokesman, June 18, 1940—

With regard to the bombing operations that have been carried on against Chungking, the Foreign Minister, Mr. Hachiro Arita, advised on the 14th of this month the United States and other Powers through their ambassadors at Tokyo to withdraw their nationals from Chungking to a zone of safety. To this the United States Ambassador, Mr. Joseph C. Grew, under instructions from his Government, communicated to the Foreign Minister on the following day, stating that although the attitude and views of the United States concerning the Chungking bombing have already been made clear on several occasions, it is specially hoped by the United States that Japanese forces will avoid such military actions as will jeopardize the lives and property of Americans there.

Foreign Minister Arita, therefore, repeated his request to Ambassador Grew today that the United States will extend cooperation to our advice for the withdrawal of its nationals, in view of the fact that, since Chung-

king is the most important base against Japan, its bombing cannot but be continued, but that the Japanese forces are never making indiscriminate bombing and that they fully respect the rights and interests of the United States and other Powers.

ON THE SETTLEMENT OF THE QUESTION PERTAINING TO THE BRITISH AND FRENCH CONCESSIONS IN TIENTSIN

I

—Communiqué of the Foreign Office, June 20, 1940—

As the result of discussions which have taken place between the British and the Japanese authorities since July, 1939, in regard to questions affecting the British Concession in Tientsin, agreement has been reached on the following points :

1. Maintenance of law and order within the British Municipal Area :—
   Detailed arrangements have been made for closer cooperation between the authorities of the British Concession and the local Japanese authorities for the suppression of all terrorist activities prejudicial to the maintenance of peace and order and to the security of the Japanese forces. In particular, arrangements have been made for Japanese Gendarmes to offer information and to be present when action is taken by the British Municipal Council Police against persons in whose criminal activities the Japanese authorities are interested.
   Such action will include supervision of dealings in arms and explosive substances, supervision of publications, cinemas and political meetings and arrest and disposal of persons engaged in the activities mentioned in the preceding paragraphs. Arrangements have also been made for the suppression of unauthorized wireless communications.
2. Silver Coin and Bullion :—
   The silver coin and bullion now in the Bank of Communications in Tientsin shall remain in that Bank under the joint seal of the British and Japanese Consuls-General in that city. Except as provided in paragraph 3 below, this silver shall remain under seal until such time as the Governments of the United Kingdom and Japan shall agree upon other arrangements for its custody. The silver shall be sealed in the presence of the British and Japanese Consuls-General in Tientsin.
   Before the silver is thus placed under seal a quantity equivalent to the sum of £100,000 sterling shall be set on one side to provide a fund for the relief of famine conditions resulting directly from the floods in certain areas and the drought in other areas of North China. Such relief shall include the provision of certain machinery urgently required from abroad to drain the water from the flooded areas, thus diminishing the danger of epidemics. The appropriate British authorities will be prepared to give all possible facilities to enable the silver thus set on one side to be allocated for relief purposes ; to be sold ; and to be used for the purchase of foodstuffs and other articles required for relief.

The British and Japanese Consuls-General in Tientsin shall appoint experts who, under the supervision of the Consuls-General, will assist them in the administration of this fund and will advise the existing Relief Committee in Peking as to the distribution of the food and other articles required for relief purposes. In addition to British and Japanese experts, experts of Chinese and French nationality and one expert of another nationality shall be invited to assist in this work.

3. Currency :—
The British Municipal Council will place no difficulty in the way of the use of Federal Reserve Bank currency within the British Municipal Area. The British Municipal Council have decided to withdraw the licences of all exchange shops not established prior to 1939. Licences will not be issued to new shops unless they are vouched for by the Native Bankers Guild and have adequate capital. Licences will be renewable monthly. Any points of difficulty which may arise in connexion with the application of the measures mentioned in the preceding paragraphs will be discussed locally between the British and Japanese Consuls-General.

II

—Statement of the Foreign Office Spokesman, June 20, 1940—

With regard to the question relative to the British Concession in Tientsin negotiations were continued following the conclusion of the agreement on principles between the Foreign Minister, Mr. Hachiro Arita, and the British Ambassador, Sir Robert L. Craigie, in July of last year. Although numerous obstacles were encountered, these negotiations finally resulted in an agreement of views between Japan and Great Britain, and the necessary procedures for the confirmation of the said agreement were completed yesterday, June 19, between Foreign Minister Arita and Ambassador Craigie. Moreover, as the result of conversations with the French Ambassador, Mr. Charles Arsène-Henry, an understanding on principles similar to that between Japan and Great Britain was reached between Japan and France and at the same time an agreement was also effected between them concerning the questions relating to the maintenance of peace and order, and to silver and currency.

It is our firm belief that, as the result of the understandings just reached the British and French Concessions will cease virtually to be abused for the machinations of anti-Japanese elements by virtue of cooperation of the concession authorities with Japanese authorities toward the maintenance of peace and order in the British and French Concessions. As regards the result of settlement of the silver and currency questions, although it cannot be considered wholly satisfactory, it will contribute not only toward the relief work among the Chinese in North China, but also toward the economic stability of the Tientsin district.

The settlement at this time of the Tientsin question may do no more than create an impression that what ought to have been done has been done. The fact cannot be overlooked, however, that this question has been an impediment to a settlement of the questions of a broader and more urgent

character. There are many matters in which Japan wants the cooperation of Great Britain and France in order to fulfil her national aspirations regarding East Asia. We expect that the attitudes of Great Britain and France as manifested in connection with the solution of the Tientsin question will be more emphatically reflected in connection with the various other problems.

III

—Announcement of the Foreign Office, June 20, 1940—

The following statement is issued as a result of the conversations which have recently been held between the Vice-Minister for Foreign Affairs of Japan and the French Ambassador :

The Government of the Republic of France fully recognize the actual situation in China where hostilities on a large scale are in progress and note that, so long as that state of affairs continues to exist, the Japanese Forces in China have special requirements for the purpose of safeguarding their own security and maintaining public order in the regions under their control and that they have to suppress or remove any such acts or causes as will obstruct them or benefit their enemy. The French Government have no intention of countenancing any acts or measures prejudicial to the attainment of the above-mentioned objects by the Japanese Forces and they will take this opportunity to confirm their policy in this respect by making it plain to the French authorities and French nationals in China that they should refrain from such acts and measures.

CONCERNING THE PROHIBITION OF TRANSPORTING GOODS FOR THE CHIANG KAI-SHEK RÉGIME THROUGH FRENCH INDO-CHINA

—Statement of the Foreign Office Spokesman, June 20, 1940—

The Vice-Minister for Foreign Affairs, Mr. Masayuki Tani, invited the French Ambassador at Tokyo, Mr. Charles Arsène-Henry to the Foreign Office yesterday afternoon. At the interview Mr. Tani made strong representation regarding the prohibition of transportation through French Indo-China of materials and goods in aid of the Chiang Kai-shek régime, requesting at the same time that the French Government consent to the dispatch of Japanese inspectors for the purpose of making investigations of actual conditions on the spot.

In response to the above representation, the French Ambassador called on the Vice-Foreign Minister at 3 : 30 o'clock this afternoon, and stated that the French Government have since the 17th of this month forbidden the transportation of such commodities as gasoline and trucks to China, but that in view of the repeated representation of the Japanese Government they have decided to prohibit the transportation of materials and goods of an extremely wide range of varieties and that they have no objection to Japan's dispatching inspectors to the spot. The interview ended at 3 : 45 o'clock this afternoon.

THE SITUATION IN CHINA

I

THE HAN RIVER CAMPAIGN

BUREAU OF INFORMATION, WAR DEPARTMENT

THE so-called Chinese winter offensive collapsed on all fronts about the end of January despite Chiang Kai-shek's contention that the Japanese army had lost its striking power. Chinese troops were defeated near Pinyang in Kwangsi Province, and also at Wuyuan, 250 kilometres northwest of Paotow, the western terminus of the Peking-Suiyuan Railway. Meanwhile, a new Central Government had been inaugurated at Nanking under the leadership of Wang Ching-wei, to which Japan is extending every assistance.

On April 17, a clean-up campaign in southeast Shansi against the 60,000 Chinese troops under General Wei Li-huang, was undertaken. Other operations in that province, involving about 180,000 of Chiang's forces, ended in the occupation of Tsehchow and other strategic towns.

In the area south of the Yangtze River, between Wuhu and Hukow, a mopping-up campaign was commenced on April 20. In order to safeguard navigation on that river, it was necessary to drive the Chinese out of Tsingyang, which movement was successfully executed by the end of April. To the northwest of Hankow, a general offensive against the enemy in the fifth war-zone took place early in May. Through difficult terrain, our forces reached the Piyuan-Tsaoyang-Luyinchen line, to the northeast of Tsaoyang, on May 7. The Shansi campaign had been undertaken primarily to restore peace and order, while operations on the south bank of the Yangtze and east of the Han River were conducted in order to break Chinese resistance and give the lie to Chungking's propaganda. The South Honan and North Hupeh operations in May were the largest we conducted this year, some 20 divisions of Chinese troops being entrapped near the Tangho River. Those that had set up bases in the Tahung and Tapieh mountain ranges, and had been reinforced by men from the armies under Tang En-po and Sun Lien-chung in the north and west and Chang Tzu-chung in the south—in all some 12 divisions strong—were successfully dealt with.

On May 19, the Japanese forces in the regions around Tsaoyang launched an attack along the entire front, shattering the Chinese resistance and decimating their troops.

Investigations into the results of the campaign have not been completed, but it is known that the Chinese forces lost 19,837 dead in addition to 730 prisoners up to May 17. Japanese booty included 1 anti-aircraft gun, 6 trench-mortars, 165 heavy machine-guns, 2,858 rifles and 124 automatic rifles. The figures would be considerably increased were the casualties sustained after May 19 included. The Japanese suffered only 411 killed.

THE SITUATION IN CHINA

II

ACTIVITIES OF THE JAPANESE NAVAL AIR FORCE IN CHINA

PUBLICITY BUREAU, NAVY DEPARTMENT

Yunnan: Three Japanese naval air units, led by Lieut.-Commander Mihara, on April 4 raided Pingma on the Yukiang River in Kwangsi Province, destroying a munition dump and several fuel depots. Following repeated aerial attacks on the Yunnan Railway, main arms supply route of the Chungking Government, the traffic was directed to Kweichow and Szechwan Provinces via Pingma, so that this town acquired considerable military importance.

Japanese naval air detachments under Lieut.-Commander Mihara raided Paichai, 60 kilometres from the Indo-China border, on April 26, and damaged the Yunnan Railway bridge. This and previous attacks have resulted in a complete disruption of traffic by that route.

South China: On May 1, military establishments, some 150 motor-lorries, and an ammunition dump at Kweiyang, capital of Kweichow Province, were destroyed. On May 9, Kunming, capital of Yunnan Province, was bombed; and on May 14, the important highway between that city and Kweiyang attacked.

Hunan: Japanese air units, commanded by Lieut.-Commander Shimada, on April 12 staged a surprise raid on the airfield at Chinkiang, on the western border of Hunan Province.

Chekiang: Three days later, the same group of fliers attacked Chinese air-bases at Lishui in Chekiang Province, Yushan and Shangjao (Kwangsin) in Kiangsi Province. Other air-units, led by Lieutenants Ikeda and Okuyama also visited Lishui and Shangjao (Kwangsin), severely damaging the railway. Lishui and Yushan were again raided on April 16, while the air-field and munition depots at Kian, in Central Kiangsi, were destroyed.

Szechwan: On April 2, air detachments made their appearance over Iping (Suchow), 110 kilometres west of Chungking, and effectively bombed the air-field, destroying a number of enemy planes.

At midnight, April 22, the Japanese naval air-force made its first large-scale attack on the Chinese air-bases around Chungking, particularly the one at Iping. On April 30, Kwangyangpa and Paishih were raided.

Crack units, under Lieut.-Commander Kurinohara, raided Chungking at midnight, April 24, The first unit, commanded by Lieutenant Ikeda, bombed military establishments at Suining, 90 miles northwest of that town, while the second and third units, under Lieutenants Nakamura and Okuyama raided Paishih, 10 miles southwest of Chungking. Chungking was again attacked on April 30, and the aerodrome at Siangshan bombed.

Our fliers visited Chengtu, capital of Szechwan Province, on the night of May 18 damaging the airfields at Wenkiang, and Taipingsze. A surprise raid was made on Suining. On the nights of May 19, 20 and 21, other attacks being delivered on Chengtu, Iping (Suchow) Liangshan and Kwangyangpa.

Three Japanese air units made the biggest raid so far over Chungking at 3:30 p.m., May 26. One unit, led by Lieutenant Kotani, attacked Paishih, destroying munitions depots and six planes. Another flight, commanded by Lieutenant Sato, bombed Hsiaolungkan. The cadets' school, military establishments and the Futan University were wrecked and the Central Telegraph and Telephone Office destroyed. This was followed by other attacks on the two succeeding days during which Peipehsitsum, Tzetsikow and Futukwan, in the western suburbs of Chungking, were visited and the military arsenals and establishments of strategic value destroyed.

Development and Results of the Operations of the Japanese Naval Forces since the Beginning of the Year

Reviewing the development and results of the operations undertaken by the Japanese naval forces in China since the beginning of the year, the naval section of the Imperial Headquarters on May 31 gave out the following communiqué :

" In concert with the military forces, the Japanese naval forces in China have undertaken and successfully carried out various operations since the beginning of the year. The morale of the officers and men is high.

" The Japanese Navy has steadily tightened the blockade of the China coast. Smuggling by junks has been suppressed ; supply routes have been interrupted.

" In North China, the air arm co-operated with the military in a mopping-up campaign in Shantung Peninsula.

" While water communications on the Yangtze River have been securely maintained and the roving Chinese troops along the banks disseminated, mine-sweeping operations have been carried out by our ships and the waterways cleared of obstacles. Chungking, Chengtu, and other air-bases have been repeatedly bombed by our airmen.

" Similar operations on the Pearl River were attended with every success.

" Hainan Island has been successfully cleared of all remnants of enemy troops. This was carried out in conjunction with our land forces.

" From January to May 31, this year, the Japanese naval forces on the Yangtze and Pearl Rivers have disposed of 299 mines, of which 210 were in the former. This brings the total of mines disposed of since the beginning of the China Affair to 5,058.

" 64 Chinese planes, of which 12 were unconfirmed, have been destroyed on the ground, and 69 (13 unconfirmed) brought down raising the total of such planes destroyed to 1,776 (260 unconfirmed) since the opening of hostilities."

INCOME TAX LAW

CHAPTER II

Classified Income Tax

ARTICLE 10

Classified income tax shall be imposed in respect of the following incomes :

Number one—Real property incomes :

Incomes accruing from the loaning of immovables, rights relating to immovables or ships (including the creation of *emphyteusis* or superficies and all other cases wherein other persons are allowed to use immovables, rights relating to immovables or ships, same context following), provided, however, that that which belongs to Class A business incomes shall be excluded ;

Number two—Incomes from dividends and interest :

Class A : Interest on public bonds, corporation debentures or deposits (limited to deposits in juristic persons) and profits by the joint-operation-trust the payment whereof is received within the area where the present law is in force, as well as dividends of profit or interest or distribution of surplus funds received from a juristic person with head office or principal place of business within the area where the present law is in force ;

Class B : Interest on non-business loans as well as interest on public bonds, corporation debentures or deposits, profits by the joint-operation-trust and dividends of profit or interest or distribution of surplus funds received from juristic persons, which do not belong to Class A ;

Number three—Incomes from businesses :

Class A : Incomes from businesses enumerated below :

1. Business of selling commodities (including the selling of animals, plants and that which are not commonly called commodities) ;
2. Money-lending business ;
3. Business of lending commodities (including the loaning of animals, plants and that which are not commonly called commodities) ;
4. Manufacturing business (including the supply of gas or electricity and the working-up or repairing of goods) ;
5. Transportation business, including the conduct of affairs relative to transportation or the acceptance of that which is to be transported) ;

6. Warehousing business;
7. Business of contractors;
8. Printing business;
9. Publishing business;
10. Photographing business;
11. Business of letting rooms;
12. Hotel business;
13. Restaurant business;
14. Employment agency business;
15. Business of agents;
16. Brokerage business;
17. Commission agency business;
18. Mining enterprises;
19. Placer-mining enterprises;
20. Public bath business;
21. Hair-dressing and/or beauty-culture business;
22. Other businesses as designated by Ordinance.

Class B: Incomes from farming, stock-raising, fishery, etc., incomes of physicians, lawyers, etc. and all other incomes which do not belong to other classes or items;

Number four—Earned incomes:

Class A: Salaries, wages, annual allowances, compensation for expenses, annuities, pensions (excluding the single-sum pension) and bonuses as well as allowances of the nature of those which have been referred to, provided, however, that the payment whereof is received from individuals as designated by Ordinance, shall be excluded;

Class B: Salaries, wages, annual allowances, compensation for expenses annuities, pensions (excluding the single-sum pension) and bonuses, and allowances of the nature of those which have been referred to, which do not belong to Class A;

Number five—Incomes from forests;

Number six—Retirement incomes;

Class A: Single-sum pension and retiring allowance as well as allowances of the nature of those which have been referred to, the payment whereof is received within the area where the present law is in force;

Class B: Single-sum pension and retiring allowance as well as allowances of the nature of those which have been referred to, which do not belong to Class A.

Article 11

No classified income tax shall be imposed in respect of the incomes which come within the purview of any of the following numbers:

1. Salaries, allowances and bonuses of men in the fighting services or civilians attached thereto who are at the front;

2. Pensions of the wounded or the sick as well as pensions and annuities of bereaved families;
3. Travelling expenses, school expenses and legal allowances;
4. Interest on postal savings and interest on current deposits as designated by Ordinance;
5. Interest on savings deposited in a bank, the principal whereof does not exceed 3,000 yen, interest on deposits in a cooperative association and interest on other deposits as designated by Ordinance;
6. Any portion of Class B business income which is a temporary income other than that accruing from continual activity for the purpose of profit-making;
7. Incomes of a person who is not of Japanese nationality, which accrue from assets, businesses or occupations outside the area where the present law is in force.

The principal as referred to in Clause 5 of the preceding paragraph shall be calculated as prescribed by Ordinance.

ARTICLE 12

Incomes which are subject to the imposition of classified income tax shall be calculated in accordance with the provisions of the following numbers:

1. As for real property incomes, an amount which is calculated by deducting necessary expenses (including interest on debts incurred in order to secure incomes, same context following) from the total amount of incomes during the preceding year;
2. As for Class A incomes from dividends and interest, the amount of payment to be received, provided, however, that it shall be an amount which is calculated by deducting one-tenth from the amount of payment to be received in the case of dividends of profit or interest or a distribution of surplus funds received from a juristic person;
3. As for Class B incomes from dividends and interest, the amount of incomes from March 1 of the preceding year up to the end of February of the year concerned in the case of dividends of profit or interest or distribution of surplus funds received from juristic persons, or the amount of incomes during the preceding year (in other cases in respect of dividends on uninscribed shares as well as interest on uninscribed public bonds and corporation debentures, the amount of payments received);
4. As for business incomes, an amount which is calculated by deducting necessary expenses from the total amount of incomes during the preceding year, provided, however, that it shall be an amount which is calculated on the basis of the average of the total amount of incomes minus necessary expenses for each of the preceding three years as prescribed by Ordinance in the case of incomes from fishery enterprises;
5. As for Class A earned incomes, the amount of payments to be received;

6. As for Class B earned incomes, the amount of incomes during the preceding year;
7. As for incomes from forests, an amount which is calculated by deducting necessary expenses from the total amount of incomes during the preceding year;
8. As for Class A retirement incomes, an amount which is calculated by deducting 10,000 yen per one payer from the amount of payments to be received;
9. As for Class B retirement incomes, an amount which is calculated by deducting 10,000 yen per one payer from the amount of incomes during the preceding year.

Income tax and excess profit tax shall not be included in the calculation of the necessary expenses as referred to in Numbers 1, 4 and 7 of the preceding paragraph.

The amount of excess profit tax on business profits is to be deducted from the amount of Class A business incomes for the year in which the said excess profit tax is to be imposed.

In cases where there are Class A business incomes which are subject to income tax and other Class A business incomes, the excess profit tax to be deducted in accordance with the provisions of the preceding paragraph shall be calculated as prescribed by Ordinance.

With regard to real property incomes, the incomes from dividends and interest and the incomes from forests, the incomes of the predecessor shall be deemed as the incomes of the successor; while in respect to assets or businesses which have been inherited, the successor shall be deemed as continuing to be in possession of the same, and the incomes concerned shall be calculated as such.

Article 13

If a person other than the possessor of the principal receives payment of interest in respect of public bonds or corporation debentures, the possessor of the principal shall be deemed as the person receiving the said payment in the calculation of Class B incomes from dividends and interest, provided, however, that when changes occur in the possessors of the principal during the interest bearing period, the final possessor shall be deemed as the person receiving the payment of interest.

Article 14

On real property incomes no classified income tax shall be imposed unless such incomes amount to 250 yen.

The real property incomes of the head of a house and of members of the house living with him shall be added together, and the provisions of the preceding paragraph shall apply in respect of the total amount; the same shall hold good in respect of the real property incomes of two or more members of the house who live separately from the head of the house.

Article 15

On Class B incomes from dividends and interest no classified income tax

shall be imposed unless such incomes amount to 100 yen.

The provisions of Paragraph 2 of the preceding article shall apply with necessary modifications in respect of the preceding paragraph.

ARTICLE 16

With regard to Class A earned incomes, an amount which has been calculated according to the period of payment of the remunerations at the rate of 720 yen per annum shall be deducted from the remunerations as prescribed by Ordinance.

In the case of a person who receives both a bonus and an allowance of the nature of a bonus and other remunerations from one and the same payer, the deduction as referred to in the preceding paragraph shall be made first in respect of remunerations other than the bonus or the allowance of the nature of a bonus, and if and when there is a deficit, be extended to the bonus or the allowance of the nature of a bonus, as prescribed by Ordinance.

With regard to a person who receives Class A earned incomes from two or more payers, the deduction as based on the provisions of the preceding two paragraphs shall be made as prescribed by Ordinance.

ARTICLE 17

With regard to business incomes and Class B earned incomes, the following amounts of money shall be deducted from the incomes as prescribed by Ordinance :

1. In respect of business incomes 500 yen ;
2. In respect of Class B earned incomes 720 yen.

No deduction in virtue of the provisions of Number 1 of the preceding paragraph shall be made in respect of business incomes of a person who has both business incomes and Class B earned incomes, provided, however, that an amount representing the difference between 500 yen and an amount corresponding to $\frac{5}{7.2}$ of Class B earned incomes shall be deducted from business incomes, when Class B earned incomes amount to less than 720 yen, as prescribed by Ordinance.

ARTICLE 18

With regard to business incomes or Class B earned incomes of a person who obtained a deduction in virtue of the provisions of Paragraph 1 of Article 16 during the preceding year in respect of Class A earned incomes, no deduction in virtue of the provisions of the preceding article shall be made, provided, however, that when the amount which was deducted in accordance with the provisions of Paragraph 1 of Article 16 during the preceding year in respect of Class A earned incomes is less than 720 yen, the following amounts of money shall be deducted from the incomes as prescribed by Ordinance :

1. An amount representing the difference between 500 yen and an

amount corresponding to $\frac{5}{7.2}$ of the amount deducted in accordance with the provisions of Paragraph 1 of Article 16, in the case of business incomes;

2. An amount representing the difference between 720 yen and the amount deducted in accordance with the provisions of Paragraph 1 of Article 16, in the case of Class B earned incomes;
3. An amount determined by Ordinance in respect of incomes in cases where there are incomes as referred to in the preceding two numbers.

Article 19

In the case where the head of a house and two or more members of the house who live together have business incomes, the total of the amounts to be deducted from such incomes in accordance with the provisions of the preceding two articles shall not exceed 500 yen; the same shall hold good in respect of the business incomes of two or more members of the house who live together but apart from the head of the house.

In the case of the application of the provisions of the preceding paragraph, the amount to be deducted in accordance with the provisions of the preceding two articles shall be deducted from the incomes of one or several of the persons liable for the payment of taxes as prescribed by Ordinance.

Article 20

With regard to incomes from forests, 500 yen shall be deducted from such incomes.

The provisions of the preceding article shall apply with necessary modifications in respect of the case in the preceding paragraph.

Article 21

Classified income tax shall be imposed at the following rates:

Number one—Real property incomes: 10 per cent;

Number two—Incomes from dividends and interest:

Class A:

1. Interest on national bonds: 4 per cent;
2. Interest on public bonds other than national bonds: 9 per cent;
3. Others: 10 per cent;

Class B: 10 per cent;

Number three—Business incomes:

Class A: 8.5 per cent;

Class B: 7.5 per cent;

Number four—Earned incomes: 6 per cent;

Number five—Incomes from forests:

The amount of incomes shall be divided into the following grades and the varying rates shall be applied as follows:

Amount not exceeding 1,600 yen: 5 per cent:

Amount exceeding 1,600 yen : 7.5 per cent ;

Number six—Retirement incomes :

The amount of incomes shall be divided into the following grades for each different payer and the corresponding rates of tax shall be applied as follows :

Amount not exceeding 20,000 yen : 6 per cent ;
Amount exceeding 20,000 yen : 12 per cent ;
Amount exceeding 100,000 yen : 25 per cent ;
Amount exceeding 500,000 yen : 40 per cent.

With regard to interest on savings deposited in banks, deposits in co-operative associations and other deposits as designated by Ordinance and distribution of surplus funds received from juristic persons as designated by Ordinance, such as cooperative, industrial and commercial associations, the 10 per cent rate of tax as provided for in Number 3 of Class A incomes from dividend and interest of the preceding paragraph shall be changed to 5 per cent.

If the amount of business incomes, as it stands prior to the deduction in virtue of the provisions of Article 17 or Article 18, is less than 1,000 yen, the 8.5 per cent and 7.5 per cent rates of tax as provided for in Paragraph 1 in respect of Classes A and B business incomes shall each be changed to 6 per cent.

The business incomes of the head of a house and of members of the house who live together shall be added together, and the provisions of the preceding paragraph shall apply to the total ; the same shall hold good in respect of the business incomes of two or more members of a house living together but apart from the head of the house.

Article 22

Classified income tax on Class A incomes from dividends and interest of an individual who does not come within the purview of the provisions of Article 1 or a juristic person having no head office or principal place of business within the area where the present law is in force shall, notwithstanding the provisions of the preceding article, be imposed at the following rates :

1. Interest on national bonds : 9 per cent ;
2. Interest on public bonds other than national bonds : 14 per cent ;
3. Interest on deposits as provided for in Paragraph 2 of the preceding article and distribution of surplus funds : 10 per cent.
4. Others : 15 per cent.

Classified income tax on the bonus or allowance of the nature of a bonus which is paid by way of disposal of profits or surplus funds and which is received by an individual who does not come within the purview of the provisions of Article 1 from a juristic person having its head office or principal place of business within the area where the present law is in force shall, notwithstanding the provisions of the preceding article, be imposed at the rate of 15 per cent.

ARTICLE 23

The amount of the classified income tax on Class A incomes from dividends and interest which a trust company has paid in respect of the trust property comprising the joint-operation-trust which it has accepted, shall be deducted, as prescribed by Ordinance, from the amount of the classified income tax on the profits accruing from the said trust.

Classified income tax on Class A incomes from dividends and interest which is to be deducted in the case of the preceding paragraph, shall be added to the profits accruing from the said joint-operation-trust in calculating Class A incomes from dividends and interest.

ARTICLE 24

With regard to the classified income tax on Class A earned incomes, an amount of money corresponding to 8 per cent of an amount which has been calculated according to the period of payment of remunerations at the rate of 150 yen per annum for each member of a house actually being supported on January 1 of the year concerned shall be deducted from the amount of the classified income tax as prescribed by Ordinance.

In the case of a person receiving both a bonus or an allowance of the nature of a bonus and other remunerations from one and the same payer, the deduction as referred to in the preceding paragraph shall be made first in respect of the classified income tax on remunerations other than the bonus or the allowance of the nature of a bonus, and if and when there is a deficit, it shall be extended to the classified income tax on the bonus or the allowance of the nature of a bonus as prescribed by Ordinance.

With regard to a person who receives Class A earned incomes from two or more payers, the deduction in virtue of the provisions of the preceding two paragraphs shall be as prescribed by Ordinance.

In the case where a member of a house being supported, as referred to in Paragraph 1, has Class A earned incomes during the preceding year or has business incomes, Class B earned incomes or incomes from forests for the year concerned, no deduction in virtue of the provisions of Paragraph 1 shall be made in respect to the said member of the house being supported, if the total of the amounts for deduction from the incomes in accordance with the provisions of Paragraph 1 of Articles 16, 17 and 18 or Paragraph 1 of Article 20 exceeds 150 yen.

When the deduction in virtue of the provisions of Paragraph 1 of Article 25 is made in respect to a member of the house being supported as referred to in Paragraph 1, no deduction in virtue of the provisions of Paragraph 1 shall be made in respect to the said member of the house being supported.

When a person who has Class A earned incomes is a person subject to the imposition of the composite income tax, no deduction in virtue of the provisions of Paragraph 1 shall be made in respect of the remunerations received from July 1 of the year in which he is subject to the imposition up to June 30 of the following year.

Article 25

With regard to classified income tax on real property incomes, business incomes, Class B earned incomes or income from forests, an amount corresponding to 8 per cent of 150 yen per one member of the house actually being supported on January 1 of the year concerned shall be deducted from the amount of the classified income tax as prescribed by Ordinance.

The provisions of Paragraph 4 of the preceding article shall apply with necessary modifications in respect of the preceding paragraph.

When the deduction in virtue of the provisions of Paragraph 1 of the preceding article is made in respect to a member of the house being supported as referred to in Paragraph 1, no deduction in virtue of the provisions of Paragraph 1 shall be made in respect to the said member of the house being supported.

Classified income tax on the head of a house and on members of the house living together shall be added together, and the provisions of Paragraph 1 shall apply in respect of the total; the same shall hold good in respect of the classified income tax on two or more members of a house who live together but apart from the head of the house.

The amount of money to be deducted in the case of the preceding paragraph shall be deducted from the classified income tax on one or several of the persons liable for the payment of taxes as prescribed by Ordinance.

When a person who has incomes as referred to in Paragraph 1 is a person subject to the imposition of the composite income tax, no deduction in virtue of the provisions of the said paragraph shall be made.

Article 26

"A member of the house being supported" within the meaning of the present law is the wife who, belonging to the person with the incomes concerned, lives with him, or the head of the house or any member of the house who is 18 years of age and downward or 60 years of age and upward, or those crippled or disabled who are living with the said person.

The crippled or disabled persons as provided for in the preceding paragraph shall be prescribed by Ordinance.

Article 26 (2)

If there are insurance premiums which have been paid for a life insurance policy with the payer himself or his family or his successor as the beneficiary, an amount corresponding to 6 per cent of an amount prescribed by Ordinance within the limits of 200 yen per annum, out of the insurance premiums, shall be deducted from the amount of classified income tax on real property, business, earned or forestry incomes, as prescribed by Ordinance.

Article 27

The provisions of Articles 24 and 25 and of the preceding article shall not apply in respect of a person liable for the payment of taxes in virtue of the provisions of Article 2.

CORRIGENDUM

Volume III, No. 12, page 493, Income Tax Law (Chapter I).
General Provisions, Article 2, No. 4, penultimate line:
For "retiring allowance or *grants* of the nature of . . ."
Read: retiring allowance or *allowances* of the nature of . . .

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ADDRESS OF PRINCE FUMIMARO KONOE

—Broadcast on July 23, the Day Following His Investiture as Prime Minister—

I HAVE been deeply moved and filled with awe at receiving unexpectedly the Imperial Command to assume the responsibility of administering the affairs of the State. On this occasion, I want to greet you all, members of the nation, laying before you some of my views.

As you are all aware, the world situation has very recently undergone a precipitate and astounding change. The old world order has collapsed, beginning with Europe, and the process of disintegration has extended to other parts of the world. Several weeks ago, I resigned from the Presidency of the Privy Council, prompted by the desire to exert myself as best I could to bring about a renovation of the national political structure which would inevitably be called for in the face of the extreme gravity of the world situation. Were opposing views to continue within the nation with consequent conflict between representative groups and sections of the people, the full strength of the nation could in no wise be directed toward the solution of external problems; wavering in national attitude will be the only result.

The evils attendant upon political parties in the past lie, to my mind, in two directions. One is that the basic principles of those political groupings are founded upon liberalism, democracy or socialism, and their views of the world and of life are incompatible with our national polity. This must be speedily altered and fundamentally revised. The other is that the parties are organized mainly for the purpose of seizing political power and ruling thereby. This should never be, as the Legislative's task is that of assisting the Throne in the administration of State affairs. We must eliminate these evils and return to the inherent character of the Japanese nation, thus affording true service to the State in accordance with the Imperial Will, all the people being united in one mind.

And this principle holds good not only in the political field but likewise in all departments of national life; the civil and fighting Services, the Army and Navy, the Government and the people, the upper and lower sections of the population, should all be united as one in obedience and devotion to the Throne. Briefly, under this new political structure the whole nation, with one accord, looking

up to the Imperial Will, must try to solve speedily and properly the many internal and external problems arising out of the present world upheaval, truly historic in its significance.

While I was reflecting upon this new structure, I received unexpectedly the Imperial Command to form a Cabinet. Accordingly, I was called upon to realize first a new structure within the Government itself. Now that complete unity in views and concert in action has been achieved between the Army and Navy as well as between these two Services and the Foreign Office, I am convinced, the Cabinet can go straight ahead under an unshakable fundamental policy to meet any difficulties that may arise.

To state a few major points in the policy agreed upon, in her foreign relations, Japan should walk in a way of her own, assuming a consistently independent position. To walk in a way of her own does not mean to pursue a passive independent foreign policy. We must be prepared not merely to meet the world crisis, but also to guide the destinies of the changing world, and to create a new world order by our own power. Accordingly, foreign policy should not be swayed by those changes of immediate moment but by taking a long view—looking to possible developments in ten, twenty and fifty years, thus proceeding independently, positively and constructively in our relations with other parts of the world.

In the field of economics, in order to energetically carry out the foreign policy just outlined, we must move away as soon as possible from the system of foreign dependence. In this sense the necessity of economic collaboration between our friendly neighbours, Manchoukuo and China, as well as the development in the South Seas region are being felt all the more urgently. It may be expected that for the time being we may lack certain materials and suffer from the unbalance of supply in its relation to demand. The Government expects in this connection to assure with everything in its power the necessaries of life for the benefit of the people. As this question certainly concerns the everyday living of every member of the Japanese nation, each one, by putting aside private interests, must positively strive to enhance production and at the same time practise economy in consumption. In point of fact, there has never been a nation that has risen to prosperity and strength by giving itself over to luxury and pleasure. The Government, therefore, intend to cut its budget as much as possible dispensing with non-urgent items and guarding against extravagances. At the same time, various control measures affecting private enterprises will be carried out. In so doing, however, the Government will not arbitrarily suppress individual initiative nor override the wishes of the

people, but, on the contrary, lead the people in such way that they will gladly and voluntarily serve the country in this matter.

Lastly, I wish to say a few words on our educational policy. At this time when a drastic revision of foreign and economic policies should be made in order to overcome unprecedented difficulties, in the face of the changing situation, the educational policy alone cannot be left as it is. When we think of the future of our Empire we cannot but find that success or failure of national policy and the destiny of the nation depend almost exclusively upon the nature of the education offered to our youth; the so-called moulding of the Japanese people should be done not so much in a material or outward sense as in their innermost soul. Learning in the past has had the defect of trifling with abstract speculations, forgetting the realities of life. This should be fully reflected upon. In order to bring up the rising generation who have a clear conception of national polity, educators themselves must have a sincere heart and a respect for moral principles. With this in view the Government intend to improve the whole educational system.

What I have stated this evening is a part of what is in my mind. It is only a part; nevertheless it is the most important part. So I have laid it before you in this initial hour of the new Cabinet earnestly desiring the cooperation of every one of the members of the nation. Allow me to add, in closing, that I myself will strive to the utmost in realizing my conviction, thus reverently assisting the Throne in the administration of the Affairs of the State.

JAPAN AND THAILAND

—Their Relations and Treaty of Amity—

BUREAU OF INFORMATION, DEPARTMENT OF FOREIGN AFFAIRS

THE Treaty between Japan and Thailand concerning the continuance of friendly relations and mutual respect for each other's territorial integrity was signed between the Foreign Minister, Mr. Hachiro Arita and the Thai Minister at Tokyo, Phya Sri Sena, at 10:00 o'clock on the morning of June 12 at the official residence of the Foreign Minister. The treaty was concluded for the purpose of further solidifying the traditional relations of amity between Japan and Thailand and contributing thereby toward the stability and peace of East Asia. The negotiations for its conclusion were chiefly conducted for Japan by Mr. Kuramatsu Murai, Minister at Bangkok.

At first a desire was expressed for the conclusion of a non-aggression treaty. But, in view of the amicable relations existing between the two countries, as well as of the fact that a non-aggression treaty is not necessarily suitable to Japanese-Thai relations in the light of recent examples, it was decided to conclude the above-mentioned treaty. As regards the provisions of the treaty, they are of a more advanced character than those of a non-aggression treaty with more importance placed on mutual cooperation. Although it is not opportune to reproduce here the text of the treaty since it will not be effective until the exchange of ratifications, its contents are substantially as follows:

1. Mutual respect for the territorial integrity of the High Contracting Parties and the reaffirmation of peace and friendly relations between them;
2. Exchange of information and consultation with regard to matters of interest common to the two countries;
3. Pledge, in case of one of the High Contracting Parties being attacked by a third country, to give no assistance to that third country.

The treaty will be effective for five years from the day of exchange of ratifications.

It is believed that by this treaty Japan and Thailand will be able to maintain their friendly relationship on a firm basis regardless of any changes in the world situation that may take place in the future and to contribute toward the stability and prosperity not only of

East Asia, but also of the entire world.

History of Japanese-Thai Relations

In tracing the origins of Japan-Thailand relations we find that they started as far back as 880, the year when Prince Takatake, the third son of the Emperor Heijo of Japan, died in the country of Loyüeh, now a part of Thailand, while he was on his way from Changan, or Sian, China, where he had sojourned for twenty years, to visit India as a Buddhist priest.

But it was during the period of a hundred years from the latter part of the sixteenth to the end of the seventeenth century, especially during the first fifty years, that Japan and Thailand were intimately connected through economic and cultural interchanges. Numerous Japanese went to that country to engage in trade or other activities, and in time these Japanese founded their own communities, the best known of which was the settlement of Ayuthya. History records that in 1599 a prince of Thailand sent an envoy to Japan with a message to Iyeyasu Tokugawa, the founder of the Tokugawa Shogunate which lasted till the Imperial Restoration of 1868, and that the latter sent a message in reply to the prince together with gifts of a sword and other arms. A high government official of that country also sent a letter to Iyehisa Shimazu, lord of the then powerful Satsuma province. Exchanges of letters and gifts were frequent between the Shogun and powerful provincial lords of Japan and the king and leading officials of Thailand. In 1623 the Thai king sent his messenger with a letter to the second Shogun Hidetada Tokugawa and in 1629 his successor sent a good will message to the third Shogun Iyemitsu who cordially replied to the king. In the meantime more and more Japanese were granted what was called *gosyuin-jo*, or government permits for going abroad, and they went to Thailand. The Japanese communities in that country prospered greatly, and according to Japanese as well as foreign documents the settlement of Ayuthya contained about one thousand Japanese, some of them amassing large fortunes in trade, dealing in such articles as buckskin, tin, lead, copper-ware, weapons, incense wood, gold, silver, porcelain, jaggery, silk and others.

It was in the era of Keicho (1596–1615) that the famous Nagamasa Yamada went to Thailand. Yamada was an adventurous spirit and soon found favour with King Ekathosarot by distinguishing himself in suppressing rebellions, for which the king rewarded him by appointing him commander of the Royal body-guards. It

is said that in 1629 there were as many as eight hundred Japanese among the Royal body-guards. Subsequently Yamada was promoted to the high rank of Phya Senaphimuk, and then to the overlordship of the Ligor territory. As he ably participated in important state affairs, his influence at the Court and over the people was great indeed. Later, however, his eventful career was cut short in 1630 by poisoning by an intriguer who had schemed to usurp the throne but had been prevented from doing so by Yamada. Six years after the death of Yamada, May 19, 1636, the Shogunate at Yedo (now Tokyo) issued a proclamation prohibiting Japanese nationals to go to or return from foreign countries—a memorable step which brought to an end the once extensive emigration of Japanese to Thailand. However, there still continued some traffic between Japan and Thailand, and trade seems to have been permitted to some extent along with that between the Japanese and the Dutch and Chinese who were exempted from the application of the proclamation. Thus we find in the annals of Japanese-Thai intercourse the record of several attempts of the Thai king to send his ships to Japan with messages and gifts to the Shogun, and an actual instance of the king's ship purchasing a great quantity of gold at Nagasaki in February, 1678. In 1682, according to our history, the British East India Company requested the Thai king, in view of his intimate relations with Japan, to transmit its letters to Japan. It is interesting to note in this connection that the famous German scholar Kaempfer is said to have visited the Japanese town of Ayuthya in June of 1690 and a Japanese, called Hanuemon, accompanied him as interpreter. This Japanese town was destroyed by fire in 1630 when Yamada met his untimely death but was reconstructed.

As regards the kinds of commodities exchanged between Japan and Thailand in the first half of the seventeenth century when trade between the two countries was most flourishing, we find that exports from Japan were chiefly paper parasols, mosquito nets, fans, screens, mats, copper, iron, lacquer, camphor, copperware, gold and silver ware, armour, swords, spears, bows and arrows, porcelain, and gold and silver coins. Thailand was then not only the purchaser of these Japanese articles, but it served as entrepôt for the trade between Japan and Batavia. That the Dutch merchants were very active in this part of the world is well known historically, and some of them offered severe competition to the Japanese traders settled in Ayuthya.

Thailand's exports to Japan were ivory, white silk fabric, peacocks, leopard skin, red sandalwood, buckskin, sharkskin, lead,

rattan, cowhide, sugar, linen, bengal silk, nickel, nuts, rice, mixed fabrics of silk and wool, betel nuts, teak, calico, buffalo and rhinoceros horns, birds' nests, rubies and several other articles. It is interesting to note that Thailand exported not only its own special products, but articles made in Europe, thus serving as a medium for the introduction of Occidental culture to Japan.

The prosperity of Japanese-Thai trade in those days is attributed by historians to the policy of free trade pursued by Japan's Shogunate prior to its issuance of the proclamation of national seclusion. Shipowners who had government permits numbered eighty-two, some of whom were Chinese, Dutch and British whose vessels operated between Japan and Thailand exclusively for trade. The government of Thailand also adopted the free trade policy, encouraging commercial intercourse with Japan. The city of Ayuthya, then the capital of the country, was the centre of such trade, and naturally many Japanese were attracted there and under government supervision an almost autonomous settlement was established by them. Such having been the circumstances of the founding of the Japanese settlement at Ayuthya, the Japanese who visit Thailand nowadays invariably go to that place to pay homage to the spirits of those pioneers of Japan's development in the South.

Japanese-Thai intercourse gradually declined after the seclusion proclamation, but we find in our annals that as late as in 1691 two Thai ships arrived in Nagasaki for trade. In the course of time, however, almost all traces of the former prosperity were lost together with that of the descendants of the Japanese settlers in Thailand.

After the Imperial Restoration of 1868, the relations between the two countries were formally restored and promoted. In 1875 Keisuke Otori, official of the Department of Engineering,[1] who later became an outstanding diplomat, went to Thailand for the purpose of investigating conditions in that country. Arriving at Bangkok on February 10, he interviewed the Thai Foreign Minister on the 24th, and on March 1, he was received in audience by the King who again received him on the 7th, and graciously inquired of him on various matters. His Imperial Highness Higashifushimi visited Thailand in the same year on his way back to Japan from England. In 1887 the Thai Foreign Minister came to Japan as a special envoy, and on September 26 attached his signature to the Declaration of Amity between Japan and Thailand. Two years later Japan sent a painter and two sculptors to Thailand at the invitation of that

[1] Later reorganized as the Department of Communications.

country's Education Ministry. Thus cordial relations were rapidly established between the two countries.

In 1897 the Japanese Government sent Manjiro Inagaki as the first Minister to Thailand who then established the Legation at Bangkok. Almost simultaneously Thailand established its Legation at Tokyo. In the same year Dr. Masao, one of the leading scholars in jurisprudence was invited by the Thai Government as its legal adviser. During his stay of sixteen years in Thailand, Dr. Masao was greatly instrumental in accomplishing the reform of that country's judicial system. In the following year the first Japanese-Thai Treaty of Commerce and Navigation was concluded (on February 25). On the occasion of the enthronement of Rama VI, His Majesty the Emperor of Japan sent Prince Fushimi as His proxy with two warships, the Ibuki and Yodo, to tender expressions of felicitation to the new King of Thailand. Then in December of 1924 the above-mentioned treaty was revised, by which Japan abolished consular court and obtained the right of property and domicile in the interior of Thailand for its nationals. In the meantime trade and commerce between the two countries developed by leaps and bounds along with the progress of their cultural interchanges. In 1927 the Japan-Thailand Society was formed in Japan with H.I.H. Prince Chichibu as honorary president and Prince Fumimaro Konoe as president, and in Bangkok, likewise, the Thai-Japanese Society was organized. These organizations have since been very active in promoting intimate friendship between the two nations which are destined to play an increasingly important part in the promotion of peace and prosperity in East Asia. There have subsequently been exchanges of visits of members of boys' organizations, as well as industrial and business groups and others.

Since the Manchurian Incident

The warmth of mutual friendship between Japan and Thailand was unmistakably demonstrated in February, 1932 during the League of Nations' Assembly meeting. The Thai delegates abstained from voting for a resolution of the Assembly to condemn Japan for what the assembly considered as illegal action in Manchuria. Japan's fight to vindicate its just cause has become well known. The attitude of Thailand at that critical moment profoundly moved the whole Japanese nation, whose cordial sentiment toward that country has since increased until it is greater than ever before. The coming of Thai students, including those sent by the Education and Navy Ministries, to acquire higher learning in

various branches of art and science in Japan and the increasing number of visits of Japanese to Thailand are bound to bring the two nations into still closer relations with each other.

In view of the fact that Thailand has made signal progress as well as the fact that that nation has been endeavouring to throw off the shackles of unequal treaties with various foreign Powers, Japan has translated its traditional friendship for Thailand into concrete action. In 1937 the Japanese Government took the lead among the Powers and concluded the Treaty of Commerce and Navigation with that country on an absolutely equal footing.

Furthermore, the agreement for a regular air service between the two countries was signed on November 27, 1939, between the Japanese Minister at Bangkok, Kuramatsu Murai, and the Thai Foreign Minister, Luang Pibul Songgram. With the development of aerial communication, and in view of the growing intercourse between the two countries, the necessity of establishing direct air service had been keenly felt in both Japan and Thailand; and negotiations for its realization were conducted, therefore, between the Japanese Minister and the Thai Foreign Minister at Bangkok. As a result of these negotiations the Japan-Thailand Agreement for a Regular Air Service between them was signed on November 27, 1939. Concrete plans to carry out the purpose of the agreement were subsequently speeded up, but due to the failure of the French Government to assent to flight over the territory of French Indo-China,[2] the aerial route was changed to go around its coast, and finally on June 10 of this year, the service was auspiciously inaugurated, connecting Tokyo, Taihoku, Canton and Bangkok. The first airplane to make the flight, the Matukaze, took off from the aviation field of Tokyo on that day, and after covering the course of more than 6,000 kilometres in only three days, it arrived at the Thai capital on June 12, the day the Japanese-Thailand Treaty of Amity and Friendship was formally signed.

Thailand of Today

It may not be irrelevant to say a few words, in this connection, regarding the present conditions of the new ally. Being situated in the central part of the Peninsula of Indo-China, and bounded in the east by French Indo-China, in the west by Burma and India, in the north by Burma and French Indo-China and in the south by the Federated

[2] As this article goes to press, it is announced that the French Government has assented to the flight.

Malay States and the Straits Settlements, Thailand occupies a position of vital importance in southeastern Asia. The area of the country is 513,470 square kilometres (198,247 square miles) which is equivalent to 75 per cent. of the total area of Japan, and its population is 14,464,489, according to the national census taken in May, 1937. With the mountainous province of Payap in the north and the great plateau of Korat, the country occupies on the whole the fertile valley of the Indo-China Peninsula. Its climate is tropical. The people of this country have since olden times known the art of rice cultivation and the quantity of rice produced annually is enough to meet domestic requirements with a considerable amount left for exportation. Of the total population 85 per cent are Buddhists, the religion which the vast majority of the Japanese people also embrace. Besides their common religious beliefs the Japanese and Thai peoples have many similarities in various aspects of their life which goes a long way toward keeping these nations attached to each other.

For many years past Thailand has maintained its independence amidst the aggressive political activities of Western Powers, particularly of Great Britain and France in their imperialistic penetration on the Asiatic Continent and has played the rôle of a buffer state. In recent years, the spirit of nationalism has grown apace with the people awakening more keenly than ever to the importance of their position as an East Asiatic nation destined to participate actively in the upbuilding of this part of the world.

On June 24, 1932, the People's Party led by Colonel Phya Bahol Balabayutha Sena started a revolution for the establishment of a constitutional system, as a result of which Thailand became a constitutional monarchy replacing the system of autocratic monarchy. At the outset of the revolution the People's Party presented a provisional constitution and this was promulgated on June 27 of that year. Since, however, this constitution was based on democratic ideas and radically restricted the sovereign power of the King, it was revised and promulgated anew on December 10 of the same year. Under the revised constitution, the King's power and authority were strengthened, and at the same time a parliamentary system was adopted with the platform of the People's Party serving as its basic principles. It is this constitution which is now in force, and the 10th of December is annually observed as Constitution Day.

Thailand was formerly called Siam. But as Siam was a foreign appellation it was deemed inappropriate to continue it. In its stead the new name of Thai meaning "free people" was adopted on June 24, 1939, the anniversary of the revolution. Thailand, there-

fore, signifies the Land of Free People. Ever since the revolution of 1932 Thailand has exerted efforts to complete its national defence, and in 1935 the People's Assembly adopted a bill for a 6-year naval expansion plan. In building up its navy Thailand has made the Japanese Navy its model.

As regards the system of reckoning time in Thailand the Buddhist calendar is in use. According to this calendar the year begins on the first of April of the solar calendar and ends on the last day of March of the following year. The year 2482 of the Buddhist Era closed at the end of March this year, and accordingly it is now 2483 B.E. To calculate the year of the Christian era from the Buddhist year, 543 years are deducted from the number of years of the Buddhist era.

In the field of trade Japan had for many years held the foremost place among the countries exporting to Thailand until 2482 B.E. (from April, 1938, to March, 1939 A.D.) when she fell to second place, Singapore occupying the first, while the third place was occupied by England and the fourth by Hongkong, after which came in order Penang, Germany, India, the United States, the Netherlands East Indies and China. In 2480 B.E. Japan exported to Thailand the amount of 22,097,000 bahts, or 19.76 per cent of the total imports of Thailand, but the figure fell in the following year to 19,127,000 bahts or a decrease of almost 3,000,000 bahts. Compared with the figures for 2479 B.E., the year before the outbreak of the current hostilities between Japan and China, the decrease was as much as 90,000,000 bahts. The reason Singapore, Hongkong and Penang occupy an important position in Thai trade is that they are entrepôts handling chiefly goods produced in China.

The radical decrease of Japanese exports to Thailand since the China Affair began has been due to the boycott of Japanese goods by Chinese merchants in that country as well as to the control exercised by Japan over the export of important military articles. Replacing Japanese commodities, exports from China, Germany, India, England and the United States have made a noticeable advance. Particularly noteworthy have been China's exports which amounted to about 16,000,000 bahts, or an increase of almost 6,000,000 bahts as compared with the previous year. This increase was brought about by taking advantage of the boycott against Japanese goods and the depreciation of Chinese legal tender. As for Japanese exports, there has been a decrease in all categories of goods with the exception of cotton piece-goods, silk fabrics, machinery and celluloid articles.

In the export trade of Thailand, also, Singapore, Hongkong and

Penang, all British ports, occupy similarly important positions, taking 60 per cent. of the total exports of Thailand.

Through Singapore and Hongkong are exported teak and rice and through Penang rubber and tin. Exports of rice, teak, rubber and hides to Japan diminished in 2481 B.E. to only 2,387,000 bahts, which is equivalent to only 1.17 per cent of the total Thai exports to all countries, an almost insignificant amount compared with 30 per cent for Singapore and 24 per cent for Penang. The decline of exports to Japan is attributed to the decrease of rice, lumber, rubber and other raw materials which Japan previously imported in considerable quantities. However, in view of the subsequent increase of Japan's importation of Thai rice and the subsidence of the Chinese boycott against Japanese goods in Thailand due to the decline of the Chiang Kai-shek régime at Chungking, which has hitherto been fanning anti-Japanese feeling among Chinese abroad, Japanese-Thai trade is expected to improve rapidly. Under the new amity treaty cultural and general economic relations between Japan and Thailand are bound to witness an epochal development. Thus the Empire in the north and the Kingdom of the south of East Asia will ever grow in mutual cordiality and trust, heartily collaborating for the peace and progress of this part of the world.

MEAL SERVICE FOR UNDERNOURISHED SCHOOL CHILDREN

DEPARTMENT OF EDUCATION

SERIOUS attention has been called recently to the question of the physical strength of the nation, particularly of the rising generation on whose shoulders rest the responsibility of guiding the future destiny of the Empire. Hence the problem of poorly-developed children at schools has come to the fore with renewed emphasis in connection with the colossal task Japan is now undertaking on the Asiatic mainland. Viewed in basic terms, however, the problem is one of undernourishment; a good, balanced diet is the key to its solution. Due to these considerations Japanese schools are now serving certain classes of children with nutritious food as an important hygienic and protective measure. But to provide nourishment to the underfed should not be the sole purpose of this service at schools; a course in elementary dietetics and training in table manners, should also be instituted.

Origin in the Meizi Era

The protection of undernourished children had its origin in the Meizi Era (1868–1911), when records show that in Yamagata, Hirosima, Sizuoka, Iwate, and several other prefectures this was already in practice. In most of these cases, however, it was only carried out as a temporary measure supported by private philanthropists and serving a limited number of children. And even as late as the first quarter of this century not more than twenty schools at most were taking care of their underfed children in this way.

Meanwhile, with the development and popularization of school hygiene, an increasing number of schools has come to adopt this system. Early in the Syowa Era (1926–) the necessity of such service was strongly advocated by the thinking public, to which view the Department of Education lent its official and enthusiastic support, with the result that this worthy practice became greatly popularized throughout the country. Thus in 1929, 204 schools were providing meals for the undernourished at a cost of 2,900 yen, and the number of schools doing so grew steadily. Then came the world depression of 1931–32 calling for wider scope and increased efficiency of the service to meet the urgent needs of people of small means in

urban as well as rural communities, who were driven to such extremity that they no longer could afford to send their children to school with lunch every day, nor even to give them sufficient food at home. Such a state of affairs, if left unaided, would give rise to much illness, and consequently to a condition where children would lose their health and be prevented from regular school-attendance—a serious problem from the point of view of national education as well as from that of social welfare. Under the circumstances it was natural that the question of feeding these children at schools should be taken up as the most pressing social and educational measure. The Government in September, 1932, issued as Instruction No. 18 of the Department of Education, the Temporary Measures for Providing Meals for School Children. This was the first governmental step for promoting meal service at schools, which was made possible by the disbursement of a considerable sum from the National Treasury.

During the eight years from the inception of the governmental measures the work of feeding the underfed grew in size and efficiency through the earnest efforts of the authorities concerned, and in 1938, roughly 1,200 schools throughout the country supplied meals to 600,000 children with a total expenditure of some 1,500,000 yen.

Encouraged by these results, the Department of Education has decided to go a step further by sponsoring school meal service on a nation-wide scale and as an integral part of school hygiene, by issuing Instruction No. 18, the Regulations for Encouragement of Meal Service at Schools, which were worked out with new emphasis and on new principles.

Basic Principles

The following are some of the major principles underlying the project.

1. *To Emphasize Dietetics in Feeding Children*

Children who are in the stage of physical development require different kinds of nourishment from adults; in the latter nutrition need only play the part of maintaining health and as a source of daily energy, while in the former it must supply such elements as are essential to physical growth and development, in addition to serving the two purposes mentioned above. Failing this, no diet for children can be complete.

2. *To Emphasize Training*

As previously mentioned, provision of meals at schools with a view to improving the children's nutrition should not be

the only objective ; it should also aim to provide discipline such as training in table manners and in the art of collective life and correction of the harmful habit of eating only the kind of food one fancies, all of which will tend to build up desirable habits in children.

3. To Provide Elementary Knowledge of Nutrition

An elementary knowledge of nutrition can be instilled in the minds of children more profitably in connection with daily meals than through books or lectures, and the undesirable habit of eating only one's favourite kinds of food can also be corrected to better advantage through practical lessons given side by side with a knowledge of nutrition.

4. To Provide Occasions for Giving Object Lessons in Other Branches of Instruction

Preparation at schools of the meals to be served prove good object lessons in domestic science, practical botany, zoology, and other sciences; and the project is to be carried out in coordination with these studies.

5. Cooperation with Homes

Needless to say, education cannot be perfected at school alone, home life must take even a greater share in it. In the same way, meal service at schools alone can hardly be expected to realize its full purpose, as explained in the foregoing. Cooperation between home and school should by all means be ensured.

Steps for Carrying out the Project

In carrying out the project preliminary studies must be carefully made concerning the method of selecting the children to be served, the necessary equipment, the preparation of menus, organization of the service staff and helpers, and the method of training at meals.

1. Selection of the Children

Except in schools where all the children are provided with meals, selection must be made of those who should be served, that is to say, those falling within any of the following categories : (a) those suffering from malnutrition ; (b) weakly children ; (c) those who will eat only their favourite foods ; and (d) others who are deemed in need of special meals.

The procedure of selection shall be : to pick out those needing close attention as a result of physical examination, those lacking in weight and chest-girth, those needing special protection, those regarded as delicate in constitution by the teacher in charge of the class ; the final decision to be made by the principal of the school after careful physical examination of the children by the school

physician.

2. Necessary Equipment

Cooking rooms, dining rooms, cooking utensils, bowls, dishes and plates should be provided, according to the facilities and requirements of the school. Rooms for exclusive use are preferable. However, class rooms devoted to house-keeping, manners, sewing, or even ordinary classrooms may well serve the purpose. In preparing the meals special care should be taken as to the following: (a) to arrange adequate facilities for washing, sterilization, preservation, etc.; (b) to use such utensils, bowls, dishes and plates as are convenient for sterilization and at the same time not fragile; and (c) to make the cooking and dining rooms fly-proof.

3. Preparation of Menus

This is the most important of all preliminary steps as those to be fed are growing children suffering from malnutrition. For every meal, therefore, the menu must be planned on the following principles: (a) to contain the correct proportion of albumen, protein, and carbohydrates; (b) not to lack inorganic salts and vitamins; (c) to contain at least one-third of the calories required for the day; (d) to ensure variety in foodstuffs from day to day; (e) to make good use of local products; (f) to prepare seasonable dishes; and (g) to respect the tastes of the children.

4. Organization of Service Staff and Helpers

Good organization and division of labour are necessary to provide efficient, satisfactory service. In many schools where meals are prepared regularly, under the guidance of teachers, janitors, girl pupils, members of mothers' societies and young girls' associations are organized for the purpose.

5. Training at Meals

That this should play an essential part in training for home and social life needs no further elaboration. The only point to be emphasized is that it must be carried out in a practical and all-round manner and continued over a long period of time. School meals certainly afford an excellent occasion for such training. The following are a few important points in which the children should be trained: (a) to keep the hands clean; (b) cleanliness and tidiness, particularly of eating utensils; (c) masticating thoroughly; (d) not to indulge only in one's favourite foods; (e) table manners; (f) correct posture; (g) to be thankful for the blessing of food.

FRENCH INDO-CHINA

BUREAU OF INFORMATION, DEPARTMENT OF FOREIGN AFFAIRS

ON the 12th of June, this year, the Japanese expeditionary forces in South China issued an announcement in which they pointed out the fact that the greater part of the weapons and war materials purchased abroad by the Chiang Kai-shek régime were still being transported from Haiphong to Chungking by the Haiphong-Yunnan railway, and that they could not overlook such action of the authorities of French Indo-China in aid of the Chiang régime. Further, on the 16th of the same month, the Japanese forces again called the attention of the French authorities to the matter, expressing their firm resolution to put an end to this hostile action on the part of the French colonial authorities.

Through the Japanese Ambassador at Paris, Mr. Renzo Sawada, and the French Ambassador at Tokyo, Mr. Charles Arsène-Henry, the Japanese Government also had frequently requested the French Government to reconsider the matter, and on the 19th of June the Vice-Minister for Foreign Affairs, Mr. Masayuki Tani, made a strong representation with regard to the prohibition of transportation through Indo-China of materials and goods in aid of the Chungking régime, requesting at the same time that the French Government consent to the dispatch of Japanese inspectors for the purpose of making investigations of actual conditions on the spot. On the 20th the French Ambassador called on the Vice-Foreign Minister and stated that the French Government had, since the 17th of June, prohibited the transportation of such commodities as gasoline and trucks to China, but that in view of the repeated representations of the Japanese Government it had decided to forbid the transportation of an extremely wide range of materials and goods and that it had no objection to the sending by Japan of inspectors to French Indo-China. Thus one of the important routes over which war materials were supplied to Chungking has been entirely severed.

Recent Position of French Indo-China

Since the Canton-Kowloon railway was intercepted and Canton, the only seaport then remaining in the hands of the Chiang régime, was captured by the Japanese forces in 1938, Haiphong and the surrounding areas in French Indo-China where Chinese residents had a

powerful influence have become the most important supply bases, next only to Hongkong, for Chungking's resistance to Japan. As a result the activities of the Chinese merchants resident in Hongkong have increased remarkably in Indo-China, many of them attempting to open trade with the interior of Southwestern China through Haiphong and Hanoi. Dealings in foreign exchange in French Indo-China had been confined to the Bank of Indo-China, but after the fall of Hankow and Canton the Bank of China was permitted to establish a branch office at Hanoi. Chungking's desperate desire to make the French territory another source of supply for its resistance to Japan and the French authorities' ambition to develop Southwestern China have thus coincided. Besides the Haiphong-Yunnan railway, a motor-road has been constructed from Tienen, northeast of Haiphong, to Chungking, while another is said to be in course of construction parallel to the above-mentioned railway. By utilizing these arteries of traffic the Indo-Chinese authorities are reported to have been increasing their aid to the Chungking Government.

History

The Kingdom of Annam, Indo-China, was a territory of China for nine centuries from 200 B.C. to 700 A.D. Since about 1000 A. D. when it became a tributary of China, there were frequent changes of dynasties, until in 1787 a treaty of amity was concluded between France and Annam, as a result of which the former gradually established a strong influence in the latter. In 1802 Yuan Fu-ying, the founder of the present Annamite dynasty, subjugated the whole of Annam by the aid of the French, who thus gained a firmer foothold in the country.

After Napoleon III came into power, France grew extremely imperialistic, and her disagreement with Annam led to the war of 1859, which ended in a complete defeat of the Annamese. The year 1862 saw the conclusion of the Saigon treaty, by which the three eastern provinces of Cochin-China were ceded to France, and French suzerainty in Annam began. In the following year Cambodia also came under French protection. Feeling uneasy the Annamese waged war against the French and were defeated again. With the cession of Tongking to France in 1884, Annam itself became a protectorate of France. In 1893 the French acquired Laos from Siam; in the following year she compelled Siam to formally recognize Luang-prabang on the west bank of the Mekong as a French territory, acquiring at the same time the adjoining

regions. Further in 1907 Battambang, Siem Reap, and Sisopon, which are adjacent to the western portion of Cambodia, were ceded to France in exchange for the coastal region around the port of Krat. Prior to this, i.e. in 1898, the territory of Kwangchow Bay (about 650 sq. km.) in the province of Kwangtung was leased for 99 years to France and placed under the authority of the Governor-General of Indo-China as a base for expanding her influence in South China.

French Indo-China is now officially called the Indo-Chinese Union, comprising the colony of Cochin-China, the protectorates of Annam, Tongking, Cambodia and Laos, and the leased territory of Kwangchow-wan. The four protectorates have their respective kings, but a French Resident-Superior under the Governor-General of Indo-China is appointed in each of them. The Union is therefore virtually little less than a French dominion consisting of five administrative divisions.

Population

The area of French Indo-China is 740,000 square kilometres, or 7.5 per cent of the whole of the overseas territories of France. It is 10 per cent larger than the Japanese Empire, and nearly 21 times as large as Formosa. The population amounts to over 23,000,000, or 35 per cent of the total number of the inhabitants of the French overseas possessions. The greater part of the population are crowded into the Tongking districts and the Mekong valley in Cochin-China. Peasants make up nearly 70 per cent of the whole population.

Classified according to race, 72.4 per cent, or three-quarters of the total population are represented by Annamese, 12.7 per cent by Cambodians, 6 per cent by Siamese, 4.4 per cent by Indians, and 3 per cent by other natives. Among the foreign residents there are 330,000 Chinese, representing 1.4 of the total population, but if the Chinese who have been settled there for generations are counted, they will amount to a considerably larger figure. As for the French, the civilian residents number about 30,000, and even when the military are included they do not greatly exceed 40,000. Of all the inhabitants those who demand our attention are the Chinese domiciled there. Although they form but a small fraction of the whole population, they are said to have a far greater influence with the Indo-Chinese authorities than their brothers have in the South Seas. The reason why those Chinese residents have been given an important place in connection with the plans for the development of

Southwestern China is that they take a leading part in trade, banking, communications and all other important phases of the economic structure of Indo-China.

The influx of the Chinese has continued for several centuries, those from Kwangtung province predominating. Of the total number of Chinese residents 30 per cent are Cantonese and 20 per cent are Fukienese, the remaining 50 per cent consisting of immigrants from Chaochow, Hainan Island and other places. The French authorities do not desire further growth in the influence of resident Chinese. Although the Chinese in Annam retain certain privileges which they had enjoyed before it became a French protectorate, on the other hand strict restrictions are placed on their entry into the country and heavy taxes are imposed upon them. In spite of these circumstances the Chinese domiciled in Indo-China showed an increase of over 140,000 in the thirteen years from 1923 to 1935.

The Annamese, who make up three-quarters of the total population, are of the Mongolian family, and having been under the rule of China for a thousand years, have been most influenced by Chinese culture, while the Cambodians, though also of the Mongolian type, are more under the influence of Indian culture. Of all the tribes of Indo-China, the Annamese have the strongest capacity for unity. When in 1884 France made Annam a protectorate and began to oppress the people, the Annamese who had long taken pride in their independence as a kingdom started a movement against French oppression. Just at that time the Japanese nation had made rapid progress, while nationalist movements had been started one after another in China, India, and Egypt. The Annamese were not a little stimulated by those examples. In 1903 the Annamese Nationalist Party was organized and it launched an independence movement. In defiance of the oppressive measures taken by the French authorities it continued its movement, and in 1914, taking advantage of the outbreak of the World War, rose in a revolt, which, however, ended in failure. The cry for the self-determination of races which was raised after the World War also influenced the populace of French Indo-China, and a liberalistic spirit of revolution ran high among the Annamese natives, leading in 1929 to the outbreak of a rebellion and culminating in the Anpei affair of 1930. Although these were completely suppressed in the end, the independence movement had often proved to be a source of trouble to the French authorities.

Industry and Natural Resources

As may be seen from the fact that three-quarters of the total value of exports are accounted for by farm products, French Indo-China is mainly an agricultural country. It also abounds in mineral resources, and as French investment was first directed to this field the mining industry is comparatively developed. Forest products, too, are many and various, as the greater part of the country is wooded and the climate varies greatly in different districts. Aquatic products are said to be abundant not only in the adjacent seas but also in inland waters, but the methods of fishing are still primitive. As for the manufacturing industry there is as yet nothing worth mentioning.

Among the chief agricultural products may be mentioned rice, maize, rubber, copra, peanuts, sesame, castor-oil, etc. Rice is the staple harvest, constituting the principal factor in the economy of the Indo-Chinese Union. As it represents half of the total value of exports, the economic activity of that French Colony depends almost entirely upon the rice crop and its exportation. The fluctuations in the price of rice greatly affect the purchasing power of the natives and even the payment of taxes. The cultivation of rice is carried on chiefly in the Mekong delta and the Songkoi valley, where two crops, or in some places three crops, per annum can be grown. The normal yield is 5 to 6 million tons, of which up to one million and a half is exported.

Important mineral products include coal, tin, tungsten, gold, zinc, and phosphates. Coal is mined chiefly in Tongking, and is known in Japan as Hongay coal, the annual production ranging from 1,500,000 to 2,000,000 tons, of which more than two-thirds are exported. Tin is produced in the portion of Tongking adjoining Kwangsi province, the recent annual output amounting to 1,400 tons. Briefly, agriculture is the principal industry in southern Indo-China, while in the southwestern parts both farming and mining are carried on.

Foreign Trade

The foreign trade of French Indo-China developed rapidly after the last Great War, the peak year being reached in 1927 with an aggregate value of 5,600,000,000 francs. Owing to the general business depression and fall of prices it has since continued to decline, diminishing to 1,900,000,000 francs in 1933. Although 1936 saw a rally with 2,700,000,000 francs, the value was only half the record

figures. The balance of trade has always been favourable, except in 1931. For instance, the ratio of exports to imports was 144 to 100 in 1935, and 172 to 100 in 1926. The staple article of export is rice, amounting to 46 per cent of the total value, followed by maize with 17 per cent and rubber with about 15 per cent. Coal takes up about 5 per cent and fish and tin 3 per cent respectively. Among the imports cotton fabrics head the list with 14 per cent of the total value; mineral oils (6 per cent) and hemp fabrics (5 per cent) come next, followed by iron ore, cotton, and machinery.

Classified according to countries or ports the value of trade is mainly distributed as follows :

	Export	Import
	(Per Cent)	
France	54	53
Hongkong	9	7
Singapore	6	4
United States	6	2
Japan	5	3
China	3	9
Netherlands East Indies	—	6

As may be seen from the above table, the greater part of the trade of French Indo-China is carried on with France. Up to 60 per cent of its exports and 56 per cent of its imports are accounted for by France and her possessions.

At present the Japanese residents in that French colony number only 350. Compared with the 7,500 Japanese in British Malaya, the number is insignificant, a fact which may be attributed to strict restrictions which the French authorities have been placing on the enterprise of foreign nationals in Indo-China.

FRENCH INDO-CHINA AND THE CHUNGKING REGIME

CABINET INFORMATION BUREAU

SINCE the outbreak of the China Affair, France has been far from friendly to Japan. And in line with the attitude of the Metropolitan Government, the colonial authorities of French Indo-China have been, until very recently, intent on assisting the Chiang Kai-shek régime. In point of fact, material aid to Chungking by third Powers has been rendered possible through the existence of two other routes, besides the one from French Indo-China : one from Soviet Russia, which reaches Chungking by way of Suchow, Ningsia, Lanchow, Hsian, and Chengtu ; and the other, the Burma Highway which links the Burmese railhead at Lashio with Kunming. These two roads, however, become well-nigh impassable to heavy traffic in the rainy months from June to September, whereas the Yunnan Railway, which operates all the year round between Haiphong and Kunming, is of much greater utility in the supplying to Chungking of the war and other materials which it needs.

War Supplies for Chungking

War supplies over the Yunnan Railway destined to Chiang Kai-shek's armies are estimated to have averaged around 17,000 tons a month, or some 70 per cent of the total munitions transported over all routes. Although the details cannot be accurately ascertained, the latest available report reveals the fact that a large part of these supplies consisted of gasoline and auto-trucks. The figures given below show the number of ships under French, British, American, and other flags, entering the port of Haiphong laden with munitions for Chungking during the six months from September, 1939, to February, 1940.

Month	French	British	American	Other	Total
September.....	7	1	—	2	10
October.....	4	6	3	4	17
November	6	12	5	2	25
December.....	2	4	2	1	9
January.....	1	7	3	1	12
February	12	12	4	6	34
Total.....	32	42	17	16	108
Monthly Average	5	7	3	3	

The following table details the number or quantity of munitions shipped from France to Haiphong during one month recently.

Articles	Number or Quantity	Articles	Number or Quantity
Anti-aircraft Shells.....	1,200 boxes	Heavy Machine-guns	56
Plane Bombs	1,250	Anti-aircraft Machine-guns	46
Shells.....	1,550		
Rifle and Machine-gun Cartridg s	900 boxes		
Hand-grenades	280 boxes	Automatic Rifles	180 boxes
Aeroplane Parts and Accessories	649 boxes	Cartridges of these	210 boxes
Dynamite.....	1,750 tons	Motor Accessories & Spare Parts (trucks)	385 boxes
Gunpowder	2,450 tons	Coast Defence Guns	4
Rifles	825 boxes		
Anti-aircraft Guns	23		

The ships referred to above play another important part in materially aiding the Chiang régime by carrying away such articles as wood oil, tungsten, and agricultural products which come from the Chinese interior destined to foreign countries, thus enabling the administration to obtain much needed foreign currencies.

Attitude toward Japan

As a centre for collecting information, French Indo-China has likewise been of great service to Chungking. Complying with the latter's request to station a Chinese Staff liaison officer in Tongking, permission was duly accorded to Chungking's military representative to reside there from February, 1940. His sole purpose was the gathering of information of military importance in close collaboration with the French colonial authorities. The local Press, which had adopted an attitude of strict neutrality toward Sino-Japanese relations prior to the outbreak of the China Affair, turned anti-Japanese thereafter, broadcasting and disseminating news fabricated by the Chiang Kai-shek régime deriding Japan and to the advantage of the Chinese. Moreover, the colonial authorities have been instigating the natives against Japan so that some 300,000 Chinese settled there are greatly encouraged in their anti-Japanese attitude.

Nor can the fact be overlooked that in the construction of railways by the Chungking régime the Government of French Indo-China has been giving valuable assistance either through a syndicate or through the French owned Yunnan Railway Co. The syndicate has in fact behind it the guarantee of the French Government to the extent of 100,000,000 francs. The construction of the Chengtu-Chungking line was commenced last February, and was to

be completed within 20 months. Work on another railway between Chungking and Kunming by way of Süchow is also going on steadily with the aid of French capital represented by a loan, amounting to 480,000,000 francs, advanced by the Government of French Indo-China secured on the customs surplus revenue. In return, French financial interests have been granted mining rights along the Railway. Furthermore, the French colony has acceded to Chungking's request to multiply the freight capacity on the Yunnan Railway so as to expedite the transportation of goods stored at Haiphong and Hanoi.

It is obvious that Japan, determined as she is to wipe out, at any cost, all obstructions to the building of a new order and the establishment of lasting peace in East Asia, cannot tolerate such acts as those described, which are detrimental to the high purpose for which her armies were sent to the Asiatic mainland. Accordingly the Japanese Government filed energetic protests with the French Government through the Japanese Ambassador in Paris, Mr. Renzo Sawada. To this France replied through her Ambassador in Tokyo, M. Charles Arsène Henry, stating that no arms were being supplied to Chungking and that gasoline and trucks could not be regarded except as merchandise for non-military use. However, immediately following the outbreak of hostilities in Europe, gasoline and trucks were declared contraband of war by the British Government in direct refutation of France's claim.

Exhausted in her patience by this unfriendly course of action so persistently pursued by the French colonial authorities, Japan ordered her air-arm at the end of 1939 to bomb the Yunnan Railway. France protested; but Japan insisted that, as she considered gasoline and trucks in the same category as other war contraband, there would be no cessation of the attacks upon that section of the French Railway in enemy territory until Indo-China showed unmistakable signs of stopping the arms traffic across her borders.

As the French attitude appeared to persist, Japan was obliged in February this year to explicitly demand the discontinuance of the transportation of war materials making at the same time a proposal to appoint a number of officers-inspectors to Hanoi and the Chinese boundary to observe the transit of goods from French territory into Yunnan. Negotiations on this basis were evaded through some subterfuge or other by the French authorities and the assistance complained of continued as of yore.

On June 4, Vice-Foreign Minister, Mr. Masayuki Tani, made another strong representation to the French Ambassador in Japan but with no greater success than hitherto.

However, the recent collapse of French Arms in the hostilities appears to have had considerable effect in correcting the attitude of Indo-China, so that by special agreement concluded between Japan and the Government of that territory, the latter undertook to cease all aid to Chiang Kai-shek. A Japanese military mission under Major General Issaku Nishihara was at the same time dispatched to Hanoi, the members of which were to be stationed in that capital city, at Haiphong, and at various points along the territorial borders to see that the understanding was observed. A solution has therefore been found at least for the time being to the very thorny problem that arose between the two countries which at times assumed proportions that threatened to aggravate the tense feeling between the two countries.

MANCHOUKUO TODAY

Condensed from an article by the Bureau of Information, Manchoukuo State Council—*Editor*

MANCHOUKUO has made enormous strides in her growth and progress as a modern nation, particularly in recent years ;. so much so that even in the short space of a year a resident in the new State is likely to find himself living in totally new surroundings. Indeed, many of these changes have been wrought with such speed and comprehensiveness as to seem incredible. For example, in 1932 when the State of Manchoukuo was founded, the total length of railway lines was no more than 4,000 kilometres, but today it extends to over 10,000 kilometres. During the same period, the transport of goods by rail increased from 16,000,000 metric tons to more than 50,000,000 metric tons, and that of passengers from 8,000,000 to the staggering figure of 96,000,000. As for motor highways the country now has a total length of 67,000 kilometres, whereas in 1932 it had only 3,000 kilometres. Power production has trebled, and the number of families using the water supply system has increased amazingly.

It is said that the consumption of table salt increases in proportion to the rise in the standard of living, but in a country like Manchoukuo, where primitive conditions of life prevail, the increase of salt consumption becomes particularly great with the improvement in the living conditions of the people. In fact, the consumption of table salt, which was 3,800,000 piculs when the new State came into being, has increased to 7,460,000 piculs. Significant also is the large increase in postal savings deposits, which rose from 250,000 yen to 124,800,000 yen during the same period. Considering that the maximum limit for postal savings allowed to each individual is 3,000 yen, it is apparent that the sum represents the funds of petty depositors.

As regards education, the number of children who attended primary schools in 1932 was 500,000, whereas recent attendance totalled 1,950,000. Manchoukuo now has 19 colleges and universities.

With regard to finance, the chaotic currency system of the old Chang régime has been completely renovated and put in order with the establishment of the Central Bank of Manchou. At present,

paper notes in circulation in Manchoukuo total 614,000,000 yen, with a gold reserve of 315,000,000 yen, a remarkable achievement in so short a time. When it is recalled that the national budget for the year 1932 amounted to no more than 110,000,000 yen, in contrast to this year's 2,500,000,000 yen, Manchoukuo's present financial strength may readily be appreciated. A further example is the recent appropriation of 114,600,000 yen for the single project of constructing the Port of Tatung, at the mouth of the Yalu River, an amount even larger than the first bugetary appropriation of the State of Manchoukuo!

Of interest in this connection also are the three major national policies of the Five-Year Plan, namely industrial development, colonization, and development of the northern border provinces. The Plan, launched in 1937, is being energetically pushed by the united efforts of Manchoukuo and Japan as an integral part of the work of establishing a new order in East Asia. Approximately 6,000,000,000 yen of capital is being used for this important work which is divided into four fields, namely, mining, agriculture and live-stock raising, colonization, and transportation and communications.

Achievements in 1939

Mining Industry: In the third year of the Five-Year Plan, that is 1939, the main stress was laid upon increasing the output of coal, iron, non-ferrous metals, and development of electric power, in keeping with the current situation confronting the nation. As a result 80 per cent of the goal set was realized in the production of iron and steel, which was 20 per cent more than that of the previous year. The output of coal was 99.5 per cent of the quantity expected, which was 33 per cent more than that of the year before. As for non-ferrous metals, the production of aluminium at Fushun attained the goal marked for 1939. Equipment for the production of other metals has almost been completed and the country will soon be self-sufficient in such metals as lead and zinc.

Development of Electric Power: The production of power by thermal generation realized 97 per cent of the schedule, which is 30 per cent more than that of 1938. The production of energy by hydraulic generation calls for the construction of dams at the Sungari and Yalu Rivers. For this purpose, the Government completed the work of impounding the waters of these rivers before the end of 1939, despite many difficulties, and actual work on the dams has been in progress since. The construction of the dams, regarded

as one of the greatest engineering feats ever undertaken in the Orient, is scheduled for completion before the end of 1941, to usher in the age of hydraulic generation in Manchoukuo.

Agriculture: Despite serious damage suffered in various agricultural districts, the crops of cotton, tobacco, sugar beets, flax and hemp, as well as rice, kaoliang, millet and paomi attained from 90 to 100 per cent of the predetermined yield, while crops of beans, sutzu, wheat, barley and oats realized from 70 to 80 per cent of the schedule.

Livestock Industry: Breeding of cattle, horses, sheep, hogs and chickens were all over 100 per cent of the expected number.

Colonization: The principles on which the colonization policy is to be based, together with a system for settling a colony, and the policy to be followed in assisting and encouraging the organization of settlers have been formulated. In accordance with these measures, colonies representing more than 23,000 families from Japan proper were settled in various sections of North Manchoukuo up to the end of March, 1940. The setting up of colonies for organized settlers attained 90 per cent and those for collective settlers passed the 100 per cent mark in 1939. In addition, 38,000 young volunteers from Japan have already settled in various parts of North Manchoukuo, and this movement of Japanese settlers is likely to continue increasing.

Communications and Transportation: During the period under review constructional activities were carried on mostly in the remoter districts. This was possible owing to the completion of public works in the metropolitan areas and in other important districts.

The foregoing are some of the outstanding results obtained during the 1939–40 fiscal year in connection with the Five-Year Plan.

Natural Resources

Manchoukuo is rich in mineral resources, coal deposits being estimated at 19,300,000,000 metric tons, iron at 3,000,000,000 metric tons, oil-shale 5,600,000,000 metric tons, and magnesite ore 5,000,000,000 metric tons. Deposits of gold ore were estimated to be worth 6,000,000,000 yen and placer gold, 5,000,000,000 yen. Tin, zinc, copper, magnesium, tungsten and molybdenum resources have been discovered from time to time, and their refining plants have been industrialized in various parts of the country.

It has long been felt that owing to the absence of petroleum resources, Manchoukuo lacks one of the essentials of modern industry, but this has proved to be incorrect, as rich oil-bearing fields were

discovered in Fowsin in South Manchoukuo. The Manchuria Petroleum Company, which was entrusted with the work of investigation, confirmed the promising nature of the new oil-fields. In April, 1940, in the course of prospecting, gas was found escaping out of the ground at a point in an anticlinal axis which extended from east to west for 100 kilometres. The gas rose to a height of 20 metres above the surface of the earth from a depth of about 100 metres. This was followed by the discovery that the first oil stratum was 12 metres in thickness, and from it the Company succeeded in obtaining a large amount of crude oil. Further prospecting in this locality has confirmed the existence of many oil strata of varying thicknesses lying several thousand metres below the surface. These discoveries have led the Company to undertake drilling on a large scale.

The liquefaction of coal is being carried on in Sspinkai, Fowsin, Chinchow, Fushun and other places. With the completion of the Five-Year Plan these plants should yield a considerable amount of oil. The production of pig iron and steel, too, will by that time be developed to such an extent that Manchoukuo will be self-sufficient in these materials. The country does not produce rubber, but plans have been made to manufacture synthetic rubber, making use of the abundant supply of electric power, coal and limestone.

Development of the Northern Border Provinces

What are known as the Northern Border Provinces include the following seven provinces: North Hsingan Province, embracing Hailar, Manchuli, and Nomonhan; Heiho Province along the River Amur, with Blagoveschensk on the opposite side; Tungan Province, with Mishan as centre; Sanchiang Province with Chiamussu as centre; Mutanchiang Province, with the River Mutanchiang as centre; Chientao Province with Yenchi as centre; and the new Province of Peian, with Peianchen as centre.

As the northern border provinces have more or less been neglected in the past from an administrative point of view, compared with the colossal efforts expended in the development of South Manchuria, which as a result became the seat of Government, it has been decided to direct the powers of modern science towards improving the conditions of life in the north. A sum of 1,000,000,000 yen will be spent in developing these seven provinces. The programme includes road improvement, construction of motor highways, establishment of service stations at points of vantage, extension of railway lines, electrification of the seven provinces, establish-

ment of radio stations, and popularization of radio reception, as well as the establishment of various sanitary and medical institutions such as hospitals, medical consultation stations, etc. for the prevention of epidemics.

Efforts are being made also to increase agricultural products such as grain of all kinds and livestock to meet military requirements and to improve the livelihood of the people. In working out these measures, detailed plans are first drawn up, with tabulations of even the number of cattle, hogs, chickens, sheep, etc. to be increased during the year. As Government officials and employees of semi-Government and other business institutions, who work in the hinterlands, are constantly faced with difficulties and inconveniences, they are provided with official or company residences which are equipped with radio sets and other facilities for recreation, such as chess and checker-boards and the like. All such equipment are classified, numbered and recorded and are provided for in the 1,000,000,000 yen appropriation referred to elsewhere.

Upon completion of the Five-Year Plan, North Manchuria will assume a totally new aspect. Close economic ties are bound to be formed between North and East Manchoukuo and Japan proper, particularly with those parts bordering on the Japan Sea, similar to the relationship now existing between South Manchuria and Japan, chiefly with the Kansai district and Northern Kyusyu.

Tatung Port

An undertaking that deserves special mention is the large-scale construction of the non-freezing Port of Tatung at a point below Antung, near the mouth of the Yalu River. Antung itself is a port city, but its facilities as such have been found inadequate, its harbour being shallow and having the added disadvantage of freezing in winter. In fact it is only suitable for junks and has been on the decline for some time. However, Antung has become the centre of activity in heavy industries of the Tunghwa and Antung provinces, both of which are rich in natural resources. The need of a good port in this locality therefore having become increasingly urgent, Tatung was decided upon.

At the time of the Russo-Japanese War of 1904–05, a certain Japanese contingent is said to have landed at Tatung. It is a veritable field of reeds and on one side, facing the Yalu River, there is a precipitous bank with the reeds holding the soil mfro being washed away by the river current. It is a natural habour, the water being very deep and allowing the docking of a vessel of 1,000 tons.

It also has the great advantage of being open the year around. In winter when Hsinking is in the grip of a temperature registering 30 degrees below zero, and even the port of Dairen is on the verge of freezing, the port of Tatung is navigable.

To develop this natural port the Government of Manchoukuo has appropriated 114,600,000 yen, which is to be spread over a period of eight years. When the first half of the construction work is completed, the port will be able to provide modern accommodations for a vessel of 4,000 tons, and by the end of eight years it will be thoroughly equipped with facilities to dock vessels up to 8,000 tons.

The conversion of the reedy fields adjoining the river into an industrial town is being carried on in accordance with an elaborate plan. The water necessary for industrial purposes may be drawn from the River Aiho, near Antung, to the extent of 1,300,000 tons a day. When the water supply system is installed, utilizing this source of water, the district will become an excellent industrial town.

The Eastern Border Provinces, which were once regarded as a nest of bandits, have now been developed into mining districts, producing coal, iron ore and other minerals.

When the State was founded in 1932, the number of brigands was estimated at 300,000. They were rampant all over the country, but as a result of clean-up operations, carried out by the Japanese and Manchoukuo armies and police forces, their numbers have been reduced to a negligible figure. Those remaining have been driven into mountain regions, where they are now leading a precarious existence.

The area of Manchoukuo is approximately 1,300,000 square kilometres, which is about twice the size of the Japanese Empire, or as large as Germany, France and England, or Italy, Germany and France put together. Accordingly, the country can easily provide for a population of 100,000,000.

The soil of North Manchoukuo is extremely rich, enabling farmers to raise crops for seven years at a stretch without the use of fertilizers. Grasses grow taller than a man and are cut in autumn and used chiefly as fuel for baking bricks. It is under such favourable conditions that enormous increases in the output of agricultural products and in the volume of foreign trade, as seen in the trade returns published by the Government, have been made possible within a short space of time.

Concord of Five Races

Advantages such as these have had a telling effect upon the life

of the people. At the time the State was established, the population of Manchoukuo was estimated at 30,000,000, but since then it has increased by five or six million. Accurate population figures will be available after the census is taken on October 1, 1940. The present population of Manchoukuo comprises about 700,000 Japanese from Japan proper, 32,000,000 Hans, 2,000,000 Manchus of the same racial extraction as the founders of the Ching dynasty in China, 1,000,000 Koreans, and 1,000,000 Mongolians. In addition there are about 60,000 White Russians and some Orochons, Ghiliaks and Tartars.

Nationality has not yet been legally defined in Manchoukuo; however, those who were living in Manchoukuo with the intention of residing there permanently at the time of establishment of the new State, and members of different races who participated in the founding of the nation are regarded as of Manchou nationality. Seasonal immigrants, such as the coolies who come from Shantung, China, in spring and return in summer, and travellers from other countries are naturally not regarded as Manchou nationals. But Japanese residents enjoy dual nationality, being Japanese and Manchou at the same time. Such is the conception of nationality in this country.

Manchuria has been the scene of the rise and fall of many different peoples including those of the Ural-Altais, where the Sushen, Koochuli, Rohai, Liao, Chin, Yuan and Ching dynasties saw the glory and extinction of their fortunes. It is only a matter of a century since the Han race came to settle in this part of the Continent. Thus Manchuria has been historically a land of many races and was destined to become a nation on that basis.

Before the founding of Manchoukuo, however, the country had been the scene of racial contention for supremacy. The Japanese staved off the Russian advance upon Manchuria and assumed leadership in establishing the new State on the basis of racial concord. The fact that Manchoukuo has been able to attain the present stage of development in a matter of only eight years is highly significant considering the country's historical background.

DOCUMENTS

THE INTERNATIONAL SITUATION AND JAPAN'S POSITION

—Radio Address of the Foreign Minister, Mr. Hachiro Arita, delivered on June 29, 1940—

JAPAN'S ideal since the foundation of the Empire has been that all nations should be enabled to find their proper places in the world. Our foreign policy has also been based upon this ideal, for which we have not hesitated at times even to fight by staking our national existence.

What all mankind longs for is the firm establishment of world peace. But it goes without saying that peace can never endure unless it is a peace in which all nations enjoy their proper places. Unfortunately, however, the establishment of world peace in this sense is difficult of speedy realization at the present stage of human progress. In order to realize such a high ideal, therefore, it seems to be a most natural step that peoples who are closely related with one another geographically, racially, culturally and economically should first form a sphere of their own for co-existence and co-prosperity and establish peace and order within that sphere, and at the same time secure a relationship of common existence and prosperity with other spheres. The causes of strife mankind has hitherto experienced lie generally in the failure to give due consideration to the necessity of some such natural and constructive world order and to remedy the irrationalities and injustices of old. The war in Europe brings home the truth of this with special emphasis. Accordingly, in order to establish international peace on a permanent foundation every effort must be exerted for the rectification of the errors that have been committed in this regard.

It is in this spirit that Japan is now engaged in the task of establishing a new order in East Asia. It is extremely regrettable, therefore, that there should be those who not only fail to understand Japan's great undertaking based upon this fundamental principle, but on the contrary, obstruct the establishment of peace in East Asia by supporting the régime of Chiang Kai-shek. We have urged them to reconsider such an attitude in the past, and now we intend further to urge their serious reflection. We are determined to leave

no stone unturned in order to eradicate all activities for assisting Chiang Kai-shek.

Sometimes there are those who would disapprove a change of the *status quo* by force of arms regardless of the reasons therefor. It is for the purpose of bringing about a just and permanent peace that Japan has been fighting in China for the past three years. Her employment of armed force is an act looking beyond the immediate present. The sword she has drawn is none other than a "life-giving sword" that destroys evil and makes justice manifest.

The countries of East Asia and the regions of the South Seas are geographically, historically, racially and economically very closely related to each other. They are destined to cooperate and minister to one another's needs for their common well-being and prosperity, and to promote peace and progress in their regions. The uniting of all these regions under a single sphere on the basis of common existence and insuring thereby the stability of that sphere is, I think, a natural conclusion.

The idea to establish first a righteous peace in each of the various regions and then establish collectively a just peace for the whole world has long existed also in Europe and America. This system presupposes the existence of a stabilizing force in each region, with which as a centre the peoples within that region are to secure their co-existence and co-prosperity as well as the stability of their sphere. It also presupposes that these groups will respect one another's individual characteristics, political, cultural and economic, and they will cooperate and fulfill one another's needs for their common good.

When the present European war broke out, the Japanese Government at once declared their policy of non-involvement and made it clear that this country did not intend to intervene in Europe and at the same time did not want to see the war spread into East Asia. Quite naturally Japan expects that the Western Powers will do nothing that will exert any undesirable influence upon the stability of East Asia.

Japan, while she is carrying on vigorously her task of constructing a new order in East Asia, is paying serious attention to developments in the European war and to its repercussions in various quarters of East Asia, including the South Seas region. I desire to declare that the destiny of these regions—any development therein and any disposal thereof—is a matter of grave concern to Japan in view of her mission and responsibility as the stabilizing force in East Asia.

CONCERNING THE JAPANESE-NETHERLANDS NEGOTIATIONS

—Statement of the Foreign Office Spokesman, June 28, 1940—

Some time ago the Foreign Minister, Mr. Hachiro Arita, made a statement that the Japanese Government, from the standpoint of maintaining the peace and stability of East Asia, felt deep concern over any development that may affect the *status quo* of the Netherlands East Indies. The said statement was made with regard to various political, economic and other matters. Since that time our Government have continued negotiations with the Netherlands Government concerning the questions of trade, enterprises, and entry of Japanese to the Netherlands East Indies. As for the trade question, Japan is deeply interested in the maintenance and further promotion of close commercial relations. An amicable settlement of such a question is not only a demand naturally arising from the relationship of administering to the needs of each other, but is an essential requirement in removing all apprehensions, and in promoting friendly relations between Japan and the Netherlands East Indies. In view of this fact, the Japanese Government have as the first step conducted negotiations with the Netherlands Government in order to assure the exports to Japan of those commodities of the Netherlands East Indies which are deemed essential to Japan. The Governments of the Netherlands and the Netherlands East Indies have declared that they would not take any measures which would prevent such commodities as mentioned above from being exported to Japan and that they would comply with Japan's desires. The Japanese Government appreciate this sincere attitude. The Japanese Government, however, are desirous that the Governments of the Netherlands and the Netherlands East Indies actively take appropriate measures in order to definitely assure the exports of the desired quantities of required goods of the Netherlands East Indies, and also dispose promptly the questions regarding the Japanese enterprises and entry of Japanese. In this connection the Vice-Minister for Foreign Affairs, Mr. Masayuki Tani, held conversations today, June 28, with the Netherlands Minister, General J. C. Pabst.

CONCERNING THE AGREEMENT BETWEEN JAPANESE AND AMERICAN CONCERNS WITH RESPECT TO THE VOLUME OF JAPAN'S COTTON PIECE-GOODS EXPORT TO THE PHILIPPINES

—Statement of the Foreign Office Spokesman, July 16, 1940—

By the understanding reached last year between Japanese and American interests concerned, the Association of Japanese Cotton Piece-goods Exporters to East Asia has been voluntarily restricting the amount of cotton piece-goods exported to the Philippines to 45,000,000 square metres for the period from August 1 of last year to the end of July of this year. In view of the approaching expiration of such period of voluntary limitation

of export, negotiations were conducted between the Japanese and American cotton interests through the good offices of the Japanese Embassy at Washington. These negotiations have satisfactorily been concluded, as a result of which it has been decided to restrict voluntarily the amount of cotton piece-goods to be exported to the Philippines during the period of one year from August 1 this year to 45,000,000 square metres.

CONCERNING THE PROHIBITION OF TRANSPORTATION OF WAR MATERIALS THROUGH BURMA AND HONGKONG IN AID OF THE CHIANG KAI-SHEK REGIME

—Statement of the Foreign Office Spokesman July 17, 1940—

As a result of negotiations which have recently been conducted between the Japanese and British Governments regarding the transportation of war materials through British territories to China, agreement has now been reached as follows:

1. The export of arms and ammunition from Hongkong has been prohibited since January, 1939. None of the war materials to which the Japanese Government attach importance are neither being exported at present nor will be exported in the future. The export of those kinds of goods which are prohibited from being exported from Burma as mentioned below will of course be prohibited in Hongkong.

2. The British Government are to prohibit for a period of three months from July 18 of this year the transit through Burma of arms and ammunition as well as petrol, trucks, and railway materials.

3. The Japanese consular officials in Hongkong and Rangoon will maintain a close contact with the British authorities regarding the measures to be taken for the purpose of rendering this prohibition effective.

THE SITUATION IN CHINA

I

DEVELOPMENT OF THE CAMPAIGN WEST OF THE HAN RIVER

BUREAU OF INFORMATION, WAR DEPARTMENT

1. General Situation

Some 20 divisions of Chinese troops were defeated by the Japanese forces in a three-day battle on the Paiho River, starting May 19, and driven into Northern Hupeh Province. East of the Han River from the Sinyang-Suihsien-Anlu line a clean-up campaign was initiated on May 1.

Meanwhile, operations against enemy positions to the west of that river, held by 350,000 men, were undertaken.

2. Crossing of the Han River

The Japanese forces crossed to the west bank of the Han River in two formations, one at Wangchiachai and Shangwangchiatsi southeast of Siangyang on the night of May 31, the other near Kiukowchen and Kwantowchienshih.

3. Development of the Campaign

Siangyang was taken early on June 1, after which the column swung south and reached the Chuanwantow-Liki-Losiangkwan line 4 days later to occupy Kingmen on June 6 and Tangyang on June 10 respectively.

The second column, more to the south, had meanwhile captured Chienyang on June 7 and Kingchow and Shasi the following day. Pushing further west, they occupied Ichang on the evening of June 11.

4. Significance of the Campaign

Surprise was the principal characteristic of the above movement so that the Chinese retired in confusion, leaving enormous quantities of arms and ammunition behind.

Between June 1 and June 12 they had lost 18,000 dead and 3,531 prisoners. While the Japanese suffered about 50 killed up to June 6. Booty included 44 artillery pieces, 150 machine-guns, 2,895 rifles, large quantities of ammunition, provisions and fodder.

II

ACTIVITIES OF THE NAVAL AIR FORCE

PUBLICITY BUREAU, NAVY DEPARTMENT

Sustained attacks are now being made on Chungking, seat of the Chiang Kai-shek Government, by the naval and military air forces, and on the Yunnan Railway, the new Southwestern highway connecting Kaobang in French Indo-China with Kweiyang, capital of Kweichow Province, and other trunk roads.

1. Cooperation with the Ground Forces

The Han River campaign started on May 1. On May 16, Japanese naval air-units based upon Hankow, visited Icheng, Taokow and Lihokow, destroying munition depots, piers and military craft.

In concert with the ground forces, operations were undertaken against Laokokow, headquarters of Li Tsung-jen, Commander-in-Chief of the Chinese forces, Siangyang and Hwanghotsi. The retreating enemy was pursued along the Paiho and Tangho rivers, and Neisiang, west of Nayang, and Maitsungchen were bombed. Siangyang was again raided on May 31.

A mopping-up campaign by our ground forces in which the naval air-unit participated was started east of Hukow, Kiangsi Province, late in May. Jaochow, Tsingyang and other places south of Hukow, enemy positions north of Hukow and bases east of Lake Panyang became targets of attack.

On May 27 several thousand Chinese troops which had surrounded the Japanese at Chihchow and Tuchang were dispersed.

Between June 1 and June 7 Wuanyen (west of Icheng), Kucheng (west of Siangyang), Nanchang, Kingmen, Shihkiaoyi, Kingchow, Ichang, Kiangkow and Shwanglienchang were visited in turn by our naval fliers and military objectives destroyed. Tanyang, Anfu and Tsikiho (east of Ichang) were also attacked. And strategic points including Tungshih, Kiangkow, Yuanshih, Chikkiang, Itu, Sungtze and Paiyang, between Ichang and Shasi, raided.

On June 9 and 10, Ichang and its neighbourhood was furiously bombed, and Chungking raided. On June 11 the Japanese military forces entered Ichang, but operations north and west of that city were continued.

2. Cooperation in the Blockade of the China Coast

On May 17, naval planes raided Wenchow, Santuao and Hinghwa and Foochow, and destroyed some of the highways out of these cities.

3. Attacks on the Yunnan Railway

At the end of the month Meilu, Suikai, Tinpak and Yangkiang on the

Luichow peninsula received the attentions of our flying-units and the Yunnan Railway's service again paralysed.

Military works at Pingma, Kweiyang and Poseh and strategic positions in Northwestern Kwangsi Province were raided, including Fengyi, Lungshan, Hwaiyuan, Ishan, Nantain, Tesheng, Hochih and Kweishun.

4. Large-Scale Bombing Operations Against Chungking

Following attacks on the Chinese airbases in Szechuan Province late in April, the Japanese naval air force carried out a night raid on Wenkiang and Tapingsze near Chengtu and also on Suining on May 18. Several grounded planes were accounted for. Since May 19, Chungking, Chengtu, Ipin, Liangshan, and Suining have been raided repeatedly, and enemy planes to the number of 90 destroyed. This has meant a fatal blow to the Chinese air force.

From May 26 to 30 Chungking was subjected to a series of bombings of the military establishments, including an arsenal, government buildings, the wireless station, and the telegraph office. Six days later these were renewed by combined naval and military planes.

INCOME TAX LAW

CHAPTER III

ARTICLE 28

Composite income tax shall be imposed in respect of gross incomes of individuals, provided, however, that in the case of an individual who does not come within the purview of the provisions of Article 1, the said income tax shall be imposed only in respect of incomes accruing from assets or businesses within the area where the present law is in force.

ARTICLE 29

No composite income tax shall be imposed in respect of incomes falling within the purview of the following numbers :

1. Incomes as referred to in Numbers 1 to 5 and Number 7 of Paragraph 1 of Article 11 ;
2. Temporary incomes other than those which have accrued from continual activity for the purpose of profit-making, as in the case of incomes referred to in Number 9 of Paragraph 1 of Article 30 ;
3. Single-sum pensions and retiring allowances as well as allowances of the nature of those which have been referred to.

ARTICLE 30

Gross incomes of individuals shall be calculated in accordance with the provisions of the following numbers :

1. In the case of incomes from the loaning of immovables, of rights relating to immovables or of ships, the amount of gross incomes during the preceding year minus necessary expenses ;
2. In cases of interest on public bonds, corporation debentures, deposits in banks, and deposits as provided for in Paragraph 2 of Article 21 as well as profits by the joint-operation-trust as designated by Ordinance, payment of which is received within the area where the present law is in force, the amount of income (in respect of interest on uninscribed public bonds and corporation debentures, the amount of payments received) during the preceding year minus 40 per cent of the amount ;
3. In cases of interest on public bonds, corporation debentures and deposits as well as profits by the joint-operation-trust other than those which are referred to in the preceding number, the amount of income (in respect of interest on uninscribed public bonds and corporation debentures, the amount of payments received) during the preceding year ;
4. In the case of interest on non-business loans, the amount of income during the preceding year minus the interest on debts incurred in

order to obtain the principal;

5. In the case of dividends of profit or interest or distribution of surplus funds received from a juristic person, the amount of income (in respect of uninscribed shares, the amount of payments received) from March 1 of the preceding year up to the end of Febuary of the year concerned minus the interest on debts incurred in order to obtain the principal;
6. In the case of incomes from forests, the amount of gross incomes during the preceding year minus necessary expenses;
7. In the case of salaries, wages, annual allowances, compensation for expenses, annuities, pensions and bonuses or allowances of the nature of those which have been referred to, the amount of income during the preceding year;
8. In the case of incomes accruing from fishery enterprises, an amount which has been calculated on the basis of the average of the amount of gross incomes minus necessary expenses for each of the preceding three years, as prescribed by Ordinance;
9. In the case of incomes other than those which are referred to in the foregoing numbers, the amount of gross incomes during the preceding year minus necessary expenses.

Income tax and excess profit tax shall not be included in the calculation of the necessary expenses as referred to in Numbers 1, 6, 8 and 9 of the preceding paragraph.

The amount of excess profit tax on profits accruing from business shall be deducted from the amount of gross incomes for the year where the said excess profit tax shall be imposed.

The provisions of Paragraph 4 of Article 12 shall apply with necessary modifications in respect of excess profit tax as referred to in the preceding paragraph.

With regard to incomes as referred to in Numbers 1 to 6 of Paragraph 1, incomes of the predecessor shall be deemed as the incomes of the successor; while with regard to incomes as referred to in Numbers 8 and 9, the assets or businesses which have been inherited shall be deemed as continuing to be in the possession of the successor, and the incomes concerned shall be calculated as such.

The provisions of Article 13 shall apply with necessary modifications in respect of the calculation of gross incomes of individuals.

Article 31

When the amount of gross incomes which has been calculated in accordance with the provisions of the preceding article does not exceed 10,000 yen, a deduction of one-tenth shall be made in respect of that portion of income which comes within the purview of Number 7 of Paragraph 1 of the said article.

Incomes of the head of the house and those of its members living with him shall be added together, and the provisions of the preceding paragraph shall apply in respect of the total; the same shall hold good in respect of incomes of two or more members of a house who live together but apart from the head of the house.

ARTICLE 32

If the amount of gross income does not exceed 5,000 yen, no composite income tax shall be imposed; the same shall hold good if the amount of gross income is less than 5,000 yen on account of a deduction made in virtue of the provisions of the preceding article.

Dividends of profit and incomes from forests and other incomes, as provided for in Article 8, shall be set apart from one another and the provisions of the preceding paragraph shall apply in respect of each division of incomes.

The provisions of Paragraph 2 of the preceding article shall apply with necessary modifications in respect of the preceding two paragraphs.

ARTICLE 33

Composite income tax shall be imposed by dividing the amount of gross income into the following grades and by applying the varying tax rates successively thereto; provided, however, that dividends of profit and incomes from forests, as provided for in Article 8, shall each be set apart from other incomes and the amount of tax thereon shall be five times as much as the amount which has been calculated by applying a tax rate of 5 per cent to that portion of the amount representing one-fifth of the incomes concerned in case the said portion exceeds 1,000 yen but does not exceed 5,000 yen or by applying the tax rates as provided in the present paragraph in case the said portion exceeds 5,000 yen:

Amount exceeding	5,000 yen:	10 per cent;
Amount exceeding	8,000 yen:	15 per cent;
Amount exceeding	12,000 yen:	20 per cent;
Amount exceeding	20,000 yen:	25 per cent;
Amount exceeding	30,000 yen:	30 per cent;
Amount exceeding	50,000 yen:	35 per cent;
Amount exceeding	80,000 yen:	40 per cent;
Amount exceeding	120,000 yen:	45 per cent;
Amount exceeding	200,000 yen:	50 per cent;
Amount exceeding	300,000 yen:	55 per cent;
Amount exceeding	500,000 yen:	60 per cent;
Amount exceeding	800,000 yen:	65 per cent.

In the case of the preceding paragraph, the amount of gross incomes of the head of the house and those of its members living with him shall be added together and the amount of tax in respect of each of them shall be determined by dividing the amount which has been calculated by applying tax rates to the total in proportion to each amount of gross income; the same shall hold good also in respect of the amount of gross income of the members of a house who live together but apart from the head of the house.

When there is a portion of gross income which is received from a juristic person as dividends of profit or interest or distribution of surplus funds and which has been deemed as Class A incomes from dividends and

interest and as such subjected to the imposition of classified income tax, the total of an amount which has been culculated by applying the provisions of the preceding two paragraphs to the amount of gross income and an amount corresponding to 1 per cent of the amount of income as the said dividends of profit or interest or said distribution of surplus funds (in respect to dividends on uninscribed shares, the amount of payments received) from March 1 of the preceding year up to the end of February of the year concerned shall be the amount of composite income tax on the gross income.

When there is a portion of distribution of surplus funds, as provided for in the preceding paragraph, which is obtained from a juristic person, as designated by Ordinance, such as a cooperative, an industrial or a commercial association, the rate of 1 per cent as provided for in the preceding paragraph shall be replaced by 0.5 per cent in respect of the amount of income of that portion.

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ON FUNDAMENTAL NATIONAL POLICIES

—Announcement by the Japanese Government, August 1, 1940—

THE world stands at a momentous, historic turning point, and it is about to witness the creation of new forms of government, economy, and culture, based upon the growth and development of sundry groups of nations. Japan, too, is confronted by the greatest trial she has ever experienced. In order to carry out fully at this juncture our national policy in keeping with the lofty spirit in which the nation was founded, it is a task of urgent necessity and importance that we should grasp the inevitable trends in the development of world history, expedite fundamental renovations in all phases of government, and strive for the perfection of the State structure for national defence. Accordingly, the general lines of the country's fundamental policies have been formulated as follows :

Summary of Fundamental National Policies

1. Basic Policy

The basic aim of Japan's national policy lies in the firm establishment of world paece in accordance with the lofty spirit of *Hakko Ichiu*,[1] in which the nation was founded, and in the construction, as the first step, of a new order in Greater East Asia, resting upon the solidarity of Japan, Manchoukuo and China.

Japan will, therefore, devote the total strength of the nation to the fulfilment of the above policy by setting up speedily an unshakable national structure and stand of her own adapted to meet the requirements of new developments both at home and abroad.

2. National Defence and Foreign Policy

The Government will strive, in view of the latest world and domestic developments, for the repletion of armaments adequate for the execution of national policies, armaments founded upon the State structure for national defence organized in such manner as to bring into full play the total strength of the nation.

Japan's foreign policy, which aims ultimately at the construction of a new order in Greater East Asia, will be directed, first of all, toward a complete settlement of the China Affair, and to the advancement of the national fortune by taking a far-sighted view of the drastic changes in the international situation and by formulating

[1] "The World as one Family."

both constructive and flexible measures to meet these changes.

3. Renovation of Internal Structure

What is urgently required in internal administration is the laying of the foundation for a State structure for national defence through a complete renovation of the domestic administration in general, for which purpose the Government expect the realization of the following points :

A. Renovation of education completely in harmony with the fundamental principles of national polity and the establishment of national morality which stresses, above all, service to the State and renounces all selfish and materialistic ideas.

B. Establishment of a powerful new political structure and a unified control of government affairs.

a. Establishment of a new national structure, of which the keynote lies in service to the State through cooperation between Government and people, every man in accordance with his ability and within the sphere of his vocational activities.

b. Renovation of the Diet as an organ for assisting the Throne, so as to adapt it to the new national structure.

c. Fundamental renovation in the operation of administrative organs and the reformation of the bureaucracy aiming at the unity and efficiency of those organs.

C. Laying of the foundation of national defence economy based on the autonomous development of the economy of Japan, Manchoukuo and China with Japan as the centre.

a. Establishment of a sphere of cooperative economies, with the Japan-Manchoukuo-China group as one of the units.

b. Inauguration of a planned economy through the cooperation of Government and people, and especially the perfection of a unitary control system covering the production, distribution and consumption of important goods.

c. Establishment of a financial programme and reinforcement of control of finance and banking, directed toward the development of the nation's total economic strength.

d. Renovation of the foreign trade policy so as to adapt it to the new world situation.

e. Establishment of measures for self-sufficiency in respect of the people's daily necessities, especially in the principal foodstuffs.

f. An epoch-making expansion of the vital industries—especially the heavy, chemical and machine industries.

g. An epoch-making promotion of science and rationalization of production.

h. Perfection and extension of the communication and trans-

portation facilities so as to adapt them to the new developments at home and abroad.

i. Establishment of land development plans aiming at the enhancement of the total national strength.

j. Inauguration of permanent measures for the promotion of the stamina and physical strength of the nation, and particularly the fundamental measures for the security and development of agriculture and agricultural communities.

k. Rectification of the inequality in individual sacrifices incident to the execution of national policies; full operation of various welfare measures, and renovation of the mode of living of the nation, and the maintenance of such standard of living as will enable the nation to lead a plain, solid and vigorous life and to surmount the national crisis by persevering truly through years of hardship.

INTERIOR OF CHINA UNDER THE CHUNGKING REGIME

CABINET INFORMATION BUREAU

THE obstinate and prolonged resistance offered to Japan thus far by the Chungking régime cannot be made light of; taking everything into consideration, they have done well, misdirected and vain though their efforts have proved to be. With recent developments in the world situation, however, Chiang's power of resistance has apparently reached its limits. For, as is widely known, the Chungking régime depended largely on third Powers for aid in reinforcing their resistance against Japan. But now that the European upheaval has affected all of these third Powers, directly or indirectly, they are unable to continue further effectual assistance. Added to this adverse turn of events, the Chiang régime has suffered an almost fatal blow by the closing of the supply routes through French Indo-China and Burma, as a result of the Japanese-French and the Japanese-British agreements, not to mention the intensification of the Japanese naval blockade.

From Communications to Industry

It is premature, however, to conclude that Chungking will succumb to these developments. They will try, not only to maintain but to develop the only route left, namely, the northwestern route by extending it to Vladivostok. But here arises another vital question for Chungking, as the strengthening of the tie with the Soviet Union will reinforce the power of the Chinese Communists, a most undesirable development from the point of view of the Chiang régime. Another conceivable way of consolidating their strength of resistance is to construct routes scattered over the vast areas of the interior by utilizing to the utmost their complicated topography and the extremely cheap labour power available there and to try to import supplies by methods akin to smuggling. However, in face of the Japanese blockade, which is effectively closing even the smallest openings, there will be almost no loopholes left for resorting to this means. The last and perhaps the only feasible way for continuing the struggle is for them to seek bases for their war of resistance in economic and industrial construction in the interior regions under their control. Their construction work

in the past has been characterized by the slogan of " Communications first." But lately their watchword has been " Production first." Until quite recently their main efforts have been directed toward strengthening their resistance by maintaining and developing routes for communication with the Powers who were aiding them. Now that such efforts have been rendered ineffectual, the only course is to fall back upon their own economic strength; they have, whether advantageous or not, to strive to augment their own productive capacities on the basis of economic self-sufficiency. When viewed against such a background, the general conditions of the five southwestern provinces, which comprise the base of the Chiang régime, acquire added significance in relation to their future.

Economic and Industrial Construction

In view of the basic importance of the munitions industry in modern warfare, success or failure in the construction and development of that essential industry in the area under their control can be taken as one of the most important factors determining Chungking's strength of resistance. As the existence of modern industry in that part of China was negligible, to say the least, before the retreat there of the Chiang régime, their efforts have been directed mainly toward the successful removal of industrial establishments to the new centres from Shanghai, Hankow and other industrial districts. The results attained can be judged from the record of progress in the construction of war industries in the districts around Chungking. The statistics for August 1939 show the existence of 85 plants, of which 14 are iron-foundries, 3 electrical plants and 68 machine and iron works. Of these, 43 plants were moved in, 24 originally existed, and 18 were newly established. From these figures it will be seen that the plants recently transferred form the centre of Chungking's industrial activities. With regard to the power equipment, 72 plants have either oil engines or electric motors capable of generating 203 and 1,142 horse power, respectively, a total of 1,345 horse power or an average of 15.83 horse power per plant. With this state of progress even the industrial equipment of the Shanghai plants alone in 1933, with an average of 23.4 horse power, can be advantageously compared.

Since the above represent figures for 1939, however, there may possibly have been some development. From what the *Ta Kung-pao* pointed out at the end of last year, the two outstanding difficulties confronting the development of economic and industrial construc-

tion are scarcity of materials and shortage of labour. Writing just before the closing of the Indo-China route, the journal states :

> Since the outbreak of the European War, the sources of supply have been, if not entirely cut off from us, at least rendered difficult to utilize for practical purposes. . . . The trouble lies not merely in the exorbitant rise in prices of materials, but in the inability to obtain them. . . . The same difficulty is met with in the supply of labour, particularly skilled labour. As the sources of supply of this type of labour are centred in the coastal districts, they are not readily available inland.

If such is the present state of progress of economic construction in the Chungking district, which is the most important of the industrial centres, the conditions in other parts under that régime can readily be imagined. What they can produce will, at most, only suffice to keep the local guerrillas in ammunition.

Problem of Food

The Southwestern and Northwestern Provinces are said to cover an area of 5,000,000 square kilometres with a population of 100,000,000. The food consumed by the inhabitants consists mainly of rice, wheat, corn and sweet potato. How these demands can be met is a question worth noting. Szechwan Province, the seat of the Chiang régime, is famous for rice and its surpluses can be transported to other provinces ; likewise with Hunan Province, which is known as the granary of China ; Hupeh can also be classed as a province capable of feeding others. However, the northern part of Hunan has now become a war zone and Hupeh has recently been occupied by Japan. The other Provinces suffer even in peacetime from shortage of food ; in particular, Kwangtung, Kwangsi, Yunnan and Fukien have been importing yearly 1,000,000 metric tons of rice and 50,000 metric tons of wheat flour. With the state of the food supply as it is in those provinces the influx of 30,000,000 refugees, together with Chiang's armies, cannot but disorganize the supply and demand relations, not to mention the dislocation of communications and the lowering of agricultural productivity as a consequence of war.

To cope with this situation the régime at Chungking has endeavoured to mobilize war refugees for the cultivation of virgin soil. This measure, however, appears not to have alleviated the situation to any appreciable degree, since little space for new cultivation remains in that mountainous terrain. Another scheme has been to replace the cultivation of poppies by that of edible

crops. This effort, though not without results, is meeting with strong opposition from the masses whose liking for opium is deep-rooted and who cannot forget the good old days of profitable poppy cultivation. Nor have agricultural improvements, such as the introduction of better methods of cultivation and the granting of generous amounts of credit, helped the masses to the extent of enabling them to increase their productivity, those receiving its full benefit being landowners.

Normal weather conditions prevailing during the past year have to some extent relieved the masses from suffering caused by food shortage. But it will in no way counteract the adverse forces such as have been enumerated above. Thus the feeding of the masses, including war refugees, still remains a racking problem.

Another factor impeding economic construction is the exorbitant rise in the prices of daily necessities. The index numbers of wholesale prices in Chungking with June, 1937, as the base are 347.1 for January and 374.3 for February of this year. For certain goods, such as shoes, socks, and cotton cloth, prices today are ten times as high as those before the current hostilities began. The actual effect of such high prices upon the life of the masses, however, is difficult to gauge, for the people of China are inured to privation. The suffering and hardship which have been their lot in the past, accentuated by frequent visitations of famine and civil war, tend to minimize the effect of material and food shortages, and even when starving to death the morale of the people seems to suffer little change. With the refugees from the civilized areas, such as Shanghai, Nanking and Hankow, matters may be very different. They are likely to be heavy burdens upon the shoulders of the Chungking leaders in the conduct of war.

Liberation of Their Patience and Energies

The weakness of the Chiang régime does not represent the weakness of the masses, who are faithfully sharing the burden in accordance with the principle of "Offer whatever you have, money or service." It is indeed astonishing how the Chungking régime can carry on the construction of railways and highways in such straitened circumstances. These undertakings are possible because of the compulsory labour service of the masses. On the other hand, monetary contributions from the capitalist classes have been far from generous. Practically all Chinese capital is centred in Shanghai and Hongkong for speculative purposes, and is obstructing instead of contributing to the constructional activities of

Chungking, thereby weakening their strength of resistance.

Under these circumstances it is obvious that the establishment and development of the new National Government at Nanking and the progress of reconstruction in the areas under their control are beginning to shake the faith of the masses in the strength and the future of the older régime under which they live. What the new National Government and Japan should do now is to liberate the energies and patience of these toiling masses, who are engaged upon the fruitless task of economic construction in the mountainous regions of the interior, and divert them to the greater and sounder work of constructing a new East Asia. Should this be realized the cruel lot they have endured these three years under Chiang Kai-shek would prove to have been a valuable training for their new task.

LABOUR MOBILIZATION PROGRAMME FOR 1940

BOARD OF PLANNING

IN RESPECT of the mobilization of labour for the year beginning April 1, 1940, matters requiring immediate attention are being dealt with as they arise, while the Government has formulated a general programme extending over the whole year, which programme was approved by the Cabinet Council at a session held on July 17. Mobilization of labour resources is the concentration of manpower, which, taken with the mobilization of materials, constitutes an important measure for the accomplishment of the colossal task which Japan is undertaking on the Asiatic Continent.

The Manchurian Affair affected to no small degree the equilibrium between supply and demand of labour in Japan. Particularly since the outbreak of the current hostilities, the demand for labour has shown a rapid increase, and a certain shortage is being experienced in various quarters. In order to cope with the situation the Government formulated a scheme to effectively control and dispose of labour to the best advantage during the period under review. The results obtained in various branches of industry, however, show that the ever-growing demand continues to exceed the supply and it has become of urgent importance to devise special steps to remedy the deficiency of hands.

Consequently, in drawing-up a similar plan for the 1940–41 fiscal year, the authorities have made it their principal aim to bring into full play the entire productive capacity of the nation, laying special emphasis on the readjustment of labour conditions in connection with (a) the repletion of war materials; (b) the expansion of productive power; (c) the development of export trade; and (d) the assuring of the strict necessities of life. Moreover, with a view to improving the quality of labour more effective measures have been adopted in the matter of controlling employment, so as to ensure a better distribution of labour while increasing efficiency.

Readjustment in Supply and Demand of General Labour

During the 1939–40 period, the scheme relating to the adjustment of supply to demand had applied only to Japan proper. In view of the growing shortage of labour in Korea, Formosa, Sakhalien,

and the South Sea Islands, the current year will see a systematic readjustment in these territories.

The additional number of labourers of both sexes required for 1940–41 in Japan alone is estimated at 1,150,000 which comprises replacements in the munitions industry and the greater demand set by the expansion of productive power in the principal industries by the increase in the manufacture of articles of export and in the production of the necessaries of life, in the transportation and communication services, and in public works. The figure which includes Japanese settlers in Manchoukuo, is a slight increase over that for 1939–40. Agricultural, forestry, and fishery needs have likewise been provided for.

This additional labour is to be recruited from among those who have completed the primary and secondary school courses, those without any occupation or who have lost their employment through the stricter enforcement of the materials mobilization programme or the ban on the manufacture of luxury goods. Further demand will be met from the reductions arising out of the restrictions on the employment of young and juvenile workers, and from among the Korean immigrants.

Of these resources the most important element will be constituted by those who have completed the primary school course. Every care will have to be exercised in their guidance so that the nature of their employment be in keeping with their abilities especially in that which relates to the recruitment of juvenile workers. An increasing number of secondary school graduates have joined the ranks of labour in the war-industries, and their choice of work will have to be directed into the right channels.

The same general rules will of course apply in the case of all other labour, whether skilled or otherwise, both male and female.

The execution of the materials mobilization programme and the ban on the manufacture of luxury goods will result in the loss of their occupation by a still greater number than was the case last year. As direct victims of the emergency situation they should receive preferential treatment and every effort will be made to absorb them into the war industries.

The restrictions placed on the employment of young and juvenile workers in March this year will no doubt throw many of this class into the ranks of the workless. Employment will be found for them wherever possible in the more important enterprises.

Another source of labour may be sought in the rural communities. With men called to the colours or engaged in war industries, the agrarian population has suffered not a little from the deprivation

of its manpower. A careful planning throughout the country, however, will render it possible for these communities to contribute their manpower further to work of first urgency; as a matter of fact, many of these communities can be tapped for the supply of labour without causing any serious inconveniences to farm work, while those adjacent to cities are real sufferers from shortage in farm labour.

In respect of the Korean immigrants, greater efforts are to be made to fit them to the task of cooperating in the execution of the national programme of expansion of labour power.

Measures have been taken to prevent as far as possible changes of employment on the part of workers, as such a course, if widely pursued, would unfavourably affect not only the readjustment of supply and demand but the maintenance and improvement of productive efficiency.

A feature of the labour mobilization programme for the current year is the special attention given to labour in agriculture, forestry, and fishery, in consideration of their importance in the national economic structure. Deficiency in farm labour supply from among those who have left the primary schools will be provided. Rationalization will be made to play its part in the use of agricultural labour and every encouragement to the workers through such benefits as day nurseries, joint preparation of meals, utilization of mechanical power. Schemes are being put forward too for the organization of collective labour among farm villages, and for seasonal help by pupils and students, and those temporarily released by commerce and industry or that can be spared from the urban districts.

In Korea, Formosa, Sakhalien, and the South Sea Islands a similar programme will be put into operation. Excepting for Sakhalien and the South Sea Islands, which rely on Japan proper for part of their labour requirements, they are in a position to be self-sufficient in this respect.

Technicians and Skilled Workers

So far as the technicians and skilled workers are concerned, there is a greater unbalance here than is the case with other classes of labour throughout Japan, China, and Manchoukuo. The Government has endeavoured to remedy the deficiency by the establishment of additional technical schools, increasing enrolments in existing training centres, and by other measures. To ensure proper distribution of expert technical labour, it promulgated the Ordinance Re-

stricting Employment of School Graduates by invoking the National General Mobilization Law, enforcing the quota system of distribution in respect of that group. The utmost care will be taken to adjust distribution to the requirements of each district and according to the urgency of each line of activity. Unemployed technicians will be induced to obtain positions and those skilled workers showing special aptitude raised to the status of technicians. Exchanges of technical labour may also be effected between enterprises of a similar nature or between manufacturers and their subsidiaries.

In order to promote the practical training of skilled hands, the Ordinance Pertaining to Training of Technical Workers in Factory Workshops was put into force last year.

Meanwhile it is of urgent importance to elevate the general standard of technical ability by the institution of short courses and by systematic instruction graded according to each class of worker. The holding of public demonstrations or individual contests of technical skill is advisable and should be encouraged.

Increase of Labour Power and Productivity

It is essential to the successful execution of the labour mobilization programme not only to make quantitative readjustment in labour but to elevate its quality. Because of the rapid increase in the number of inexperienced hands recruited and due to other circumstances some apprehension has been felt of a decline in the productive efficiency and physical condition of workers generally. Special stress is therefore being laid on the moral training of and discipline among the workers in keeping with the spirit of the times. Provisions have been made in respect of the betterment of dormitory accommodation and healthier recreational facilities and measures taken to bring about a closer relation of factory to home life. Improvement of health and sanitary conditions, prevention of accidents, avoidance of overwork, through recesses and holidays, and physical training, are receiving the most careful attention of those in authority and the needs of juvenile and female operatives given every consideration.

Improved methods of work and management have been adopted, rewards for efficiency established, and inspection and guidance by visiting experts in organization provided for.

Wages and allowances are to be regulated so as to afford security to the workers and with a view to adjusting supply of labour to demand. This will be conducive to the elimination of discontent in the labour ranks and foster the spirit of service to the State

through industry and help forward the activities of the associations for service to the State through industry while developing and completing the system of labour control. The expansion of social insurance is likewise being planned, and definite measures are being taken to relieve the housing shortage.

To assure the complete success of the programme outlined, there will have to be cooperation on the part of all concerned and an effective combination of the various measures indicated toward the goal set. As the Movement for Service to the State through Industry may be regarded as pivotal in the proper reorganization and distribution of labour, more powerful central and local machinery must be devised to foster the movement. Such measures are accordingly included in the mobilization programme.

CONCERNING THE 1940 CENSUS

CABINET BUREAU OF STATISTICS

A CENSUS will be taken this year on October 1 (midnight September 30). The Ordinance Governing the Execution of the 1940 Census and other regulations relating thereto were promulgated on May 25 authorizing the taking of necessary steps, including the appointment of 220,000 census enumerators.

Primary Purpose

The census scheduled for October is a quinquennial enumeration following those of 1920, 1925, 1930 and 1935. It has special historical significance in that it will take place in the year marking the 2,600th anniversary of the founding of the Japanese Empire. Nor should the fact be overlooked that the census will be taken in wartime. The purpose of a census lies at all times in surveying simultaneously all basic matters concerning the national life, with a view to obtaining data for formulating national policies. In the forthcoming census, however, emphasis will be laid, in view of the current situation at home and abroad, on collecting data for completing and strengthening the national structure for total war. The scope and methods of investigation, accordingly, will differ from those of previous censuses.

Types of People to be Covered

Those to be covered by the census are as follows :

1. Japanese, natives of Japan's overseas territories, and foreigners living within Japanese territory at the time the census is taken ;
2. Men on active service (including cadets) and reservists summoned to the colours at the time the census is taken ;
3. Civilians on duty on board vessels belonging to the army or requisitioned by the army, or naval vessels (that is, warships and other auxiliary vessels, and vessels requisitioned by the navy) ;
4. Civilians as well as Shinto priests and other religious workers who are with the military and naval forces at the front outside Japanese territory.

The point to be particularly noted in the coming census is that men in the services and civilians attached to the fighting forces will be covered, wherever they may be at the time, by a method which will be explained later. This widening of the scope of the census will fill an important omission by covering those men at the front who, from the point of view of age and social status, form the backbone of the nation. These are the people who should be included in the 1940 census in view of its primary purpose.

Method of Census-taking

The method to be followed in the October census is that the head of each family will fill in the declaration form as prescribed. In other words, the head of each family is responsible for the report. And the family will be divided into two classes: the ordinary family and the quasi-family, the latter being a group of people living together, each member or sub-group having an independent family budget, such as those living in hotels, dormitories, hospitals, lodging houses and boarding houses. In a quasi-family the person in charge is responsible for the report. Those responsible for the report must fill in blanks accurately by 8 o'clock in the morning, as designated in the form distributed by the census enumerator, concerning conditions as of October 1, and present it to the enumerator when he comes to collect it.

Census enumerators will be appointed by the Cabinet, and a district to be covered within a city, town, or village will be placed in their charge. They will wear a badge showing their official status when distributing and gathering reports and when performing other duties connected with the census.

Filling in the Declaration Form

Particulars to be covered by this census are: (1) name; (2) position in the family; (3) sex; (4) date of birth; (5) matrimonial relation; (6) industrial and occupational connection; (7) designated technical ability; (8) connection with military service; (9) place of birth; (10) permanent domicile; and (11) race or nationality.

A few words of explanation may be relevant here. Item (6) relating to industrial and occupational connection is divided into two parts: (1) inquiry as to present industrial and occupational connection; (2) as of July 1, 1927. This is to find out the trend of Japanese industry as a whole and that of the people in respect of occupations prior to the

China Affair and as of October, 1940. Under this item the name of the place of business or employment, kind of occupation, etc. is to be listed. The method of reporting the kind of occupation requires explanation. A table with the names of various occupations will be distributed to each family, with a number allotted to each occupation, so that the reporter must list the name of his occupation together with its corresponding number in the table. For example, a book-keeping clerk is (4), an agricultural technician (9), and a latheman (metal worker) (119). It is not easy to fit the almost numberless professions and occupations of all the people into just a little more than the 430 categories given on the table. However, in view of the importance of the coming census, it will be far from satisfactory simply to take statistics by using the old system which required each person to set down his occupation only ; hence this new system will be tried.

Such complicated methods as these are unavoidable when one of the major objectives of the census is to discover the occupational and industrial distribution of the people and how the industries are organized. In short, this year's census aims at finding out how and where our one hundred million compatriots are serving their country. This will also be invaluable material on which to base the various plans to strengthen the national structure for total war and as a means of gauging the strength of the nation. This item forms an essential part of the census together with Item (7) which specifies a designated technical ability. It consists of two parts : (1) designated occupation and (2) designated education. Designated occupations consist of 120 occupations deemed specially necessary under present circumstances and designated accordingly by the Prime Minister. Those who are at present engaged in one of these designated occupations must list their present occupation together with the corresponding numbers given in the table. The system is the same as that used in Item 6 relating to industry and occupation. In addition, the number of years they have followed the particular occupation must also be reported.

Those who are engaged in designated occupations at present but who were formerly not so engaged must report as shown in the declaration form. A person who formerly was engaged in more than one of the designated occupations must write down the one which he thinks most important, taking into consideration the number of years spent in that occupation, degree of skill, and his strong and weak points. In case both his present and former occupations come under the designated occupations, it will not be necessary to report his former employment, but only that of the present ; in this case the present occupation holds priority.

Designated education means graduation from or completion of technical or scientific schools or courses designated by the Prime Minister. There are three classes of designated education : secondary industrial and commercial schools, higher industrial and commercial schools, and universities. Those whose education comes under any of the foregoing must report the name of the school or course as prescribed.

" Those Related to Families "

What has been explained in the preceding pages concerns the home population only. In the case of those who are at the front, particulars to be reported differ slightly from the foregoing. In Paragraph 1, Article 2 of the Ordinance Governing the Execution of the Census of 1940, it is stated that :

> The Census of 1940, which will be held at the time mentioned above (October 1), will cover those coming under one of the following categories :
>
> 1. Persons living within Japanese territory who are not on active service or who are not reservists called to the colours ;
> 2. Persons on active service and reservists called to the colours ;
> 3. Persons on board vessels belonging to the army or navy who are not on active service or who are not reservists called to colours.
> 4. Civilians attached to the fighting services, news reporters ; Shinto priests and other religious workers following the army and living outside Japanese territory at the designated time.

According to the provisions of the Ordinance, those coming under No. 1, that is, " Persons living within Japanese territory who are not on active service or who are not reservists called to the colours " consist of the people at large, and those coming under Nos. 2, 3, and 4 are men at the front, including civilians attached to military and naval forces who, according to the law and ordinance, are called " those related to families." These will be treated as persons related to their families as explained below and will be reported by the heads of those families as members belonging thereto :

1. The family with whom a man's wife is living at present, in case he is married ;
2. If not married, the family with whom his father is living, and in case his father is deceased, the family with whom his mother is living ;
3. The family with whom a child is living (the oldest child if

there are many children) in case his father, mother, or wife is deceased;

4. The family of . . . . .(insert name).
5. The family of . . . . .(insert name).

The order is thus prescribed in detail ranging from the spouse, parents, children, grandparents, brothers and sisters to the person who delivered the summons to the colours and the head of the municipality or of the village where the domicile of the person concerned is located. It is provided in this connection that a common law wife shall also be considered as a spouse; and that parents, children, brothers and sisters are limited to those registered in the same census register. The reason for widening the range and including the person who forwarded the summons to the colours and the head of the municipality or of the village is because some persons may have no relatives living with them. In most cases the family to which the person coming under one of these categories belongs is his own which he left behind; however, other cases such as those mentioned in the foregoing must be provided for.

The enumeration of those related to families presents another complicated problem in the coming census. But, as already stated, it is one of its essential features as the census will be taken in wartime, and the fullest cooperation of those responsible for the filling in of the census paper is expected.

Cooperation of the Nation

Cooperation of the entire nation for successfully carrying out the census is by no means difficult, full understanding of its purpose and an honest, accurate report being all that is necessary. The use of individual reports for other than statistical purposes will be disallowed, and under no circumstances will the contents of the reports be made public. This is clearly set forth in the provisions of the Imperial Ordinance. Furthermore, if any person divulges to others facts he has become acquainted with through the performance of his duties in connection with the census, he will be severely punished.

As great care will be taken to respect and protect the interest of those making the census report, people need have not misgivings, and all are urged to cooperate by reporting accurately and clearly data which will prove to be invaluable in the framing of important national policies.

PROGRAMME FOR MOBILIZATION OF MATERIALS FOR 1940

BOARD OF PLANNING

TAKING into consideration the changes in the international situation and other circumstances, a temporary programme for the mobilization of goods was enforced from April to June, while a standard plan for mobilization of materials for the whole year of 1940 was drafted with all speed. The latter was decided upon in conjunction with another relating to foreign trade at a Cabinet meeting held on June 29. The Materials Mobilization plan may be considered the basis upon which Japan's national economy is being made to operate, since it provides for the controlling and regulating of the supply and distribution of as many as two hundred and fifty varieties of the more essential goods. Its application is indeed of the greatest consequence in the execution of national policy and in its effect upon the people's livelihood.

General Condition of Supply of Materials

When we examine into the conditions surrounding the supply of materials, we find that their source lies mostly in domestic production, and where a deficiency exists, this may be complemented by imports from Manchoukuo and China, or from such countries as Great Britain and the United States. Despite the fact that domestic production was faced with many obstacles last year due to the drought and shortage of coal and electric power, the actual returns for this year may safely be expected to be more favourable in keeping with the greater progress made in the execution of the plan for the expansion of productive activity since 1938. The unprecedented dryness and other adverse influences completely negatived in certain localities the increase that had been made in industrial equipment with that end in view. Nevertheless the actual results achieved, save in certain exceptional cases, were a distinct advance upon the previous year. As various measures have since been taken to counteract any unforeseen calamities, and as a considerable number of factories which had been under construction have now been completed and are in operation, a further augmentation in production may be counted upon during 1940.

A considerable increase in the volume of imports from Man-

choukuo and China can also be expected, as 1939 was indeed a difficult year for those countries affected as they were by drought and flood over large areas. The European war, which has brought about an inordinate rise in prices generally, and the policies adopted by the belligerents and several neutral nations prohibiting or restricting the exportation of various classes of goods in view of the requirements of national defence have removed all opportunities for purchases by Japan in these markets. Imports from these foreign countries therefore can hardly be expected to rise.

General Condition of Demand

It is clear that under the present situation, the repletion of armaments by Japan, the expansion of productive power, construction work on the Asiatic continent and a number of national undertakings of vital importance are giving rise to unusual demands. The quantity of materials and goods required in connection with each of these undertakings is considerable, and more so when the trend of the world situation revolving around the European war is taken into consideration. Under these circumstances, it is only by a proper adjustment of supply to demand that the maximum utility can be obtained out of the materials at hand. And for this reason the basic principle to follow resides in the expedient distribution of essential requirements.

Basic Policy Governing the 1940 Plan

It is in such a spirit that the materials mobilization plan for 1940 has been formulated with a view to accomplishing the object of the China Affair while assuring in every way the defence of the country by such measures as will meet every new development in the international situation. The plan resolves within itself the attainment of these five main objectives: namely, (1) the meeting of every demand for military supplies, (2) the expansion of productive power to the fullest extent, (3) the early completion of constructive undertakings on the continent, embracing Manchoukuo and China, (4) the augmentation of importing capacity, with special emphasis on the promotion of export trade, (5) the assurance of the minimum essentials for the livelihood of the people.

1. Satisfaction of Military Requirements

With the country now engaged in large-scale hostilities on the continent, it is natural that enormous quantities of military supplies are required. Moreover, developments in the international situa-

tion have rendered it urgently necessary to replenish armaments for national defence. As the greatest economy requires to be practised here none the less, the authorities concerned are sparing no efforts to meet the situation while having in mind the country's security.

A greater part of governmental requirements other than those for defence consists of such materials the Railway, Communications, Agriculture, Forestry and other Departments find of immediate need. In meeting these requirements, the principle of giving priority according to importance will also be applied.

2. Expansion of Productive Power

The expansion of productive power has for its purpose the expediting of development in those industries particularly related to national defence or which aim at bringing the country's economic structure to the level of self-sufficiency. This particular phase is now in its third year and calls for unusually large quantities of materials.

On the basis of the valuable experience gained last year and after careful study, the authorities concerned have arrived at a decision upon the most effective method of operation for the current year. The policy of promoting efficiency in essential industries will be further strengthened and the fullest utilization made of all productive resources ; construction work on factories in the course of erection is being expedited and measures have been taken to secure from industry the brightest possible technical efficiency with special emphasis on those basic industries producing iron, steel, coal, light metals, liquid fuels, etc. All efforts in this connection will be concentrated upon the attainment of self-sufficiency or the securing of adequate supplies of essential materials and goods.

In view of the actual situation of Japan, Manchoukuo and China in the matter of resources and the contrast that exists in the economic development of these countries, it is beyond doubt that, to afford the best results in the expansion of productive power, it is essential that their economics be treated as one. Moreover, a consideration of the recent changes in the international situation shows the urgency there is for Japan to free herself from her economic dependence upon regions outside of East Asia.

3. Policy Governing Construction on the Continent

It is in accordance with the general principles outlined above that steps have been taken to assure the supply of those materials required for construction work on the continent. The Five-Year Industrial Development Plan now operating in Manchoukuo, is

closely linked to the expansion of productive power in Japan. European conditions having unfavourably affected the execution of the said Plan during the current year, Manchoukuo will be compelled to rely upon Japan for many essentials, especially materials required by the iron, steel, coal, liquid fuel and light metal industries.

As regards China, every effort is being directed toward the development of such important resources as coal, iron, steel, cotton, salt, etc. ; and to assure the proper distribution of materials necessary to this expansion, transportation facilities are being improved.

4. Promotion of Export Trade

As matters stand today, Japan is compelled to import considerable quantities of raw materials from foreign countries to meet its military requirements or the needs for the expansion of productive power, payment for which must be made either in gold or in foreign currency. For this reason the domestic production of gold is being greatly encouraged. Meanwhile the only other course open to her is to promote export trade through the removal of those obstacles which may impede the production of articles of export. The smooth functioning of the supply and distribution of raw materials and production goods, labour, electric power, etc. is of primordial importance in this connection. Special consideration has therefore been accorded in this year's materials mobilization plan to these needs which have been given preferential treatment.

5. Assurance of the Minimum Amount of Necessary Articles

As regards non-military requirements, the range of which is indeed very extensive, embracing as it does those materials indispensable to the manufacturing, mining, agricultural, forestry, stock-raising and marine products industries, as well as the necessities of life, every care is to be taken to determine their supply in the right degree so as not to defeat the primary purpose of the Materials Mobilization Plan which is to assure the maximum requirements for national defence.

The supply of these non-military goods comprising mineral ores, crude oil, fertilizers, work-clothes, work-gloves, socks for outdoor work, agricultural, forestry and marine industrial implements and construction materials for workmen's houses must in no wise be impeded so as not to retard or reduce production in the industries named. Measures have therefore been adopted to greatly increase these supplies for 1940. The deficiency in potassium, resulting from the war in Europe, the main sources of Japan's supply, will be

counteracted by an increase in the domestic output of sulphate of ammonium and phosphates. The shortage may also be remedied to some extent by the use of ashes of plants and trees and by importing nitrate of potassium.

In respect of clothing, foodstuffs, sanitary articles and medical supplies—all necessities of life—the minimum requirements indicated by past experience will be secured in order to assure a simple but healthy life to the nation in keeping with wartime conditions. A comprehensive scheme for the adjustment of supply to demand has been devised and thoroughgoing measures are being taken to regulate their production, distribution and consumption, thereby maintaining stability of the nation's livelihood.

Other consumption goods not considered urgent or wholly unnecessary will be subjected to restriction in a more drastic form than has hitherto obtained. Not only from the viewpoint of economy but in order to enhance the people's morale, luxuries of any kind must strictly be dispensed with. The Government has, therefore, decided to prohibit or restrict by laws or ordinances their manufacture and sale, as the case may be.

In view of the kaleidoscopic changes to which the international situation is liable, it will be necessary to make every provision to meet the inevitable effect which these changes will have on the materials mobilization plan in so far as the importation of materials is concerned. Under the circumstances it has been decided to give the Plan a certain elasticity by subjecting it to a revision every quarter so that supply can be adjusted to demand as the need may arise.

READJUSTING FUNCTIONS OF TWO GOVERNMENT DEPARTMENTS

—Reorganization of the Departments of Agriculture and Forestry and of Commerce and Industry—

CABINET INFORMATION BUREAU

THE urgency of providing for the efficient control of economy, particularly in connection with the wartime food policy and foreign trade administration, has increasingly been felt in view of the necessity there is to attain the highest degree of preparedness in national defence while assuring stability of livelihood to the people under the current world and domestic situation. Measures looking to improvement in the execution of the more important policies relating to food supply and foreign trade administration by bringing these under unified control should be effected. At the same time, efforts should be directed toward the expansion of the productive capacity of those materials required by the war and basic industries and adjust their supply to the demand.

Steps recently taken by the Government to reorganize the Departments of Agriculture and Forestry and of Commerce and Industry on the basis of the Summary of the Basic Principles Governing the Readjustment of Matters Coming under the Jurisdictions of the Department of Agriculture and Forestry and of the Department of Commerce and Industry, which was decided by the Cabinet Council on July 9, have this purpose in view. The essential points of the readjustment are explained herewith.

Matters Relating to Foodstuffs

In view of the particular importance attaching to the administration of food supplies under present conditions, control in respect of the production, distribution and consumption of foodstuffs and beverages, and in the distribution of marine and live-stock products not included under foodstuffs, is to be unified under the administration of the Department of Agriculture and Forestry. It may be pointed out that the last-named item " marine and live-stock products not included under foodstuffs" is somewhat ambiguous; but foodstuffs as here understood, include, besides such staples as rice and wheat, vegetables, fish, meat,

spices, alcoholic and non-alcoholic beverages, cakes, etc. The differentiation has been made merely to avoid confusion. Raw silk, menthol, peppermint oil, pyrethum preparations, lumber, woodwax, skin of marine creatures, vegetable and animal oils, wool of domestic origin, skin and hides, furs, matting and other products of rural industries with but few exceptions, come within the same jurisdiction.

In accordance with the principle of unitary control through all processes of production, distribution and consumption, matters relating to manufacturers' and dealers' associations and the marketing of marine and livestock products, foods and beverages have been transferred to the Department of Agriculture and Forestry. Nevertheless the central organs of the associations referred to and the chambers of commerce and industry, whose functions normally come under the jurisdictions of both these Government Departments, remain in the charge of the Department of Commerce and Industry. With the Finance Ministry, the latter exercises joint authority over the Central Chest of the Commercial and Industrial Associations, warehousing, and the stock and commodity exchanges. The allocation of goods and materials required by the forestry and marine industries will be entrusted to the Department of Agriculture and Forestry and to it therefore will devolve the distribution of fertilizers, fodder, agricultural and marine implements, agricultural chemicals, fishing nets and ropes, tin casings, horse-shoes and harnessings, and the control of production and marketing of chemical fertilizers. Moreover, to guard against apprehension on the part of those whose occupations are involved or affected by the transfers referred to, their various functions have been clearly delineated.

Thus the whole body of producers is to be directly responsible for the assemblage of supplies; the distribution is to be entrusted to the dealers. In order to avoid any sudden change in the scope of activities of these groups and to give full play to the working of their functions, their respective fields of operation have been adjusted according to the conditions peculiar to each district.

In addition the Government has appointed a definite procedure to be adopted in the case of the three staple articles—rice, wheat and charcoal. Discretionary powers have however been conferred upon the prefectural governors to employ such methods they may deem expedient as regards the first-named commodity owing to the circumstances which surround the rice supply.

1. Rice: Its Collection and Distribution

(a) *Collection*: The task of collecting the rice supplies is solely

entrusted to the cooperative societies and their federation in each prefecture. Where, however, the dealers have been undertaking the collection to a substantial extent, or where in towns and villages the work of collection is otherwise rendered difficult, the task may be performed by the dealers' associations. In either case, the rice so gathered will be placed in the care of the agricultural associations under the direction of the prefectural governor.

The government purchases of rice will be made in respect of the rice collected by cooperative societies and their federation, through the all-Japan Federation of Marketing Societies, and, in respect of that collected by dealers' associations, directly through these associations.

(*b*) *Distribution*: The rice collected by cooperative societies and their federation or by dealers' associations, the portion to be consumed in each prefecture shall, as a rule, be distributed, through the rice dealers' associations in the same prefecture while the rice collected by cooperative societies and dealers' associations, excluding the government purchases, which is to be transported direct to other prefectures, shall be sold to the rice dealers' associations in the producing prefectures to the dealers' associations for transport of rice in those prefectures.

Government rice (including imported rice), Taiwan and Chosen rice is, as a rule, to be distributed through the rice dealers' associations in each prefecture.

Distribution through the ordinary trade channels shall be effected in principle by the retail merchants' associations from supplies furnished them by the wholesale dealers' associations. Only in the case of particularly large consumers or approved parties shall direct purchases from wholesale dealers' associations be tolerated.

In view of the favourable results obtained, the retailing of polished rice by consumers' associations shall continue as heretofore, these associations to be regarded and treated for the time being as general retail dealers.

2. Wheat: Its Collection and Distribution

(*a*) *Collection*: This will be undertaken solely by cooperative societies and their federation in each prefecture. Where, however, such a procedure is rendered difficult or where, again, dealers' associations have been carrying out the collection to a large extent, the task may be entrusted to these dealers' associations. General responsibility for collecting will rest with the agricultural associations under the direction of the prefectural governor.

(*b*) *Distribution*: Distribution, excepting in the case of particularly large consumers, shall be conducted by dealers' associations or

representative bodies of consumers according to the conditions prevailing in each district under the direction of the prefectural governor.

In respect of the wheat collected by cooperative societies and their federation or by dealers' associations, to be transported to other prefectures, with the exception of that going to particularly large consumers, it shall be sold direct to the dealers' associations or representative bodies of consumers in each of those prefectures.

Large consumers shall receive their supplies from the cooperative societies through the All-Japan Marketing Federation or directly at the hands of the associations as the case may be.

3. Charcoal: Its Collection and Distribution

(*a*) *Collection*: The collection of charcoal shall be effected on a unitary basis by cooperative societies and their federation in each prefecture, or by representative bodies of such dealers as do not themselves engage in the production of charcoal.

In those districts where cooperative societies have difficulty in collecting supplies, dealers' associations may, with the approval of the prefectural governor, be allowed to perform the task.

(*b*) *Distribution*: The distribution of charcoal for local consumption in each prefecture, will be entrusted as a matter of principle, to the care of the charcoal dealers' associations in the same prefecture.

The charcoal collected by cooperative societies and their federation or by dealers' associations, to be transported to other prefectures, shall, under the control of the prefectural governor, be sold, as a rule, direct to charcoal dealers' associations or to societies in the other prefecture organized to take delivery of the goods.

In recognition of the success of their past activities, consumers' associations will, for the time being, be recognized as retail dealers and treated as such, charcoal dealers' associations will be treated as being the same as other dealers' associations of like nature.

Furthermore, in respect of the goods to be handled by the all-Japan Federation of Marketing, the greatest care has been taken to avoid cause for friction between consumers and dealers following upon the important changes effected in existing conditions.

Matters Relating to Foreign Trade

With a view to furthering the expansion of Japan's foreign trade, matters relating thereto have, in principle, been concentrated in the Department of Commerce and Industry, as the result of which exterior affairs relating to those goods and materials otherwise coming under

the jurisdiction of the Department of Agriculture and Forestry, have been transferred to the first named Department, as, for example, matters relating to the examination of agricultural, forestry and marine products for export as described in Article 1 of the Law Concerning Control of Export Marine Products in the Regulations Concerning Control of the Export Citrus Products and the examination under Article 3 of the Law Concerning Control of Tea. Of course, the principles and criteria governing such examinations, having as they do a close bearing upon the production of those articles, are to be determined in consultation with the Department of Agriculture and Forestry.

In the case of raw silk, however, matters relating to the methods and place of conditioning, in consideration of the actual circumstances and by reason of their close relation with the export of this article, have been left in the charge of the Department of Agriculture and Forestry.

The matters transferred to the Department of Commerce and Industry comprise those relating to the New York Office for the study of foreign raw silk markets, to the Raw Silk Exporters' Association provided for in the Law Concerning Sericultural and Raw Silk Manufacturers' Associations, to ordinances for controlling raw silk exporters under Article 10 of the Export Raw Silk Transactions Law, and other matters generally connected with the expansion of raw silk exports.

Matters relating to the restriction and prohibition of exports and imports to be ordered in accordance with the laws and ordinances for the purpose of controlling the domestic supply and demand of those goods in the charge of the Department of Agriculture and Forestry, have been placed within the jurisdiction of this Department, which attends to the domestic production and distribution of goods in general. Where, however, it is necessary in the interests of trade adjustment and in view of the close relations existing between domestic production and the export trade, cooperation between the two Departments named is provided for by dispositions taken in respect of the personnel of these Departments.

Matters Relating to Commodity Prices

Both the Department of Agriculture and Forestry and the Department of Commerce and Industry have in their charge matters relating to prices in so far as the goods and materials coming within their respective jurisdictions are concerned. Those relating to the Expert Committee on Price Fixing will be attended to by the first-named Department for the goods and materials which fall under its jurisdic-

tion. Thus its duties will likewise include the supervision over the functions of the expert committees on charcoal, lumber and foodstuffs, and the control of all affairs relating to prices of goods and materials for the exclusive use of agriculture, forestry and fishery. Matters hitherto in the hands of the Prices Bureau of the Department of Commerce and Industry but relating to goods and materials coming under the Department of Agriculture and Forestry have been transferred to the latter Department. The conduct of the business of the Central Expert Committee on Price Fixing is, however, left in the care of the Department of Commerce and Industry.

The New Administrative Structures

The functions of the Department of Agriculture and Forestry and of the Department of Commerce and Industry have thus been readjusted in accordance with the basic principles of production, distribution and consumption. In the forthcoming reorganization, therefore, the Department of Agriculture and Forestry will be given control over foodstuffs and beverages and of all matters relating to their production and sale, leaving to the Department of Commerce and Industry full charge of the mining industry and of foreign trade.

Thus, at last, has it been made feasible for the Government to prosecute the national polices on foodstuffs, defence and the essential industries, and foreign trade expeditedly and on a unitary basis.

CONCERNING JAPAN'S FOREIGN POLICY

—Statement of Mr. Yosuke Matsuoka, Minister for Foreign Affairs, August 1, 1940—

I HAVE always said that the mission of Japan is to proclaim and demonstrate *kodo*[1] throughout the world. Viewed from the standpoint of international relations, this amounts, I think, to enabling all nations and races to find each its proper place in the world. Accordingly the immediate aim of our foreign policy at present is to establish, in accordance with the lofty spirit of *kodo*, a great East Asian chain of common prosperity with the Japan-Manchoukuo-China group as one of the links. We shall thus be able to demonstrate *kodo* in the most effective manner, and pave the way for the establishment of an equitable world peace. We should be resolved to surmount all obstacles, both material and spiritual, lying in our path. Furthermore, in concert with those friendly Powers which are prepared to cooperate with us, we should strive with courage and determination for the fulfilment of the ideal and the heaven-ordained mission of our country.

[1] Literally, "The Imperial Way," whereby the Japanese people, achieving a unity of mind, with the Emperor as Master and serving Him with loyalty and devotion, endeavour to establish a highly moral nation through whose moral influence they hope to contribute to the peace and welfare of the world.

THE SITUATION IN CHINA

I

COMPREHENSIVE RESULTS OF THE JAPANESE MILITARY OPERATIONS SINCE THE OUTBREAK OF HOSTILITIES
(From July, 1937 to June, 1940)

BUREAU OF INFORMATION, WAR DEPARTMENT

1. *Chinese Killed*: 1,587,600.

This figure represents those counted by Japanese troops. If others are included, the losses sustained by the enemy, including casualties, desertions and surrenders are conservatively estimated at over 3,000,000.

2. *Japanese Killed*: 85,800.

3. *Japanese Booty*:

Heavy, field, and mountain-guns	1,398
Native-made guns	6,832
Trench mortars	1,859
Rapid-firers and anti-aircraft guns	359
Heavy and light machine-guns	16,508
Rifles	357,701
Tanks, armoured cars and motor-trucks	898
Armoured trains, engines and carriages	2,331
Warships and other vessels	310

The booty listed above includes those major items. Enormous quantities of arms and ammunition, clothing and other materials captured are omitted.

4. *Length of the War Front*: 4,600 kilometres.

5. *Japanese Occupied Area*: 1,600,000 sq. kilometres.

Representing an area 2.4 times as large as the Japanese Empire, corresponds to one-sixth the surface of China.

6. *Results of the Activities of the Military Air Force*

(From July, 1937, to June, 1940)

(a) Losses dealt the Chinese air force

Brought down	396	Total 564
Destroyed on the ground	168	

(b) Losses dealt the Soviet air force Manchoukuo-Outer Mongolia Border

Brought down	1,340	Total 1,370
Destroyed on the ground	30	

Grand Total 1,934

(c)	Japanese losses	
	In the China Affair	57
	In the Nomonhan Incident	137
Total		194

II

TIGHTENING OF THE BLOCKADE AGAINST CENTRAL AND SOUTH CHINA

PUBLICITY BUREAU, NAVY DEPARTMENT

In accordance with tightening of the blockade against the Central China coast, as proclaimed by Vice-Admiral Shimada, Commander-in-Chief of the Japanese fleet in China waters on July 15, a Japanese naval detachment started fresh operations in Hangchow Bay at dawn, July 16.

Reduction of the Paichi (Chenhai) and Changtiaotsui Forts: An attack on the Chenhai forts resulted in their complete occupation the same morning. The Changtiaotsui Fort was reduced the following day.

Occupation of Chenhai: These operations led to the occupation of Chenhai (outpost of Ningpo) on July 18, and of the islands which command the entrance.

Reduction of Chuanchow and Blockade of Hinghwa Bay: On July 17, a powerful Japanese fleet, in concert with the attack on Chuanchow, Fukien Province, moved in on Hinghwa Bay, 40 miles northeast of that town, and by sinking junks and placing obstructions in those waters, successfully closed the most important supply route in Fukien Province.

Attacks on Santuao and Shoutsun: On the morning of July 21, a landing-party gained a footing at Santuao against strong enemy resistance. The same afternoon, the Japanese entered Shoutsun, dismantled the Chinese military establishments and completely destroyed their lines of communication.

All these operations, which the Japanese Navy carried out in concert with the Naval air-units had for purpose the blockading of the outlet of the Chekiang-Kiangsi Railway, and the cutting-off of the supply route through these ports. Since the institution of the blockade more than ten foreign vessels were stopped and visited without incident. This tightening of the blockade against Central and South China ports has dealt a severe blow to the Chungking régime and the pro-Chiang foreign Powers.

III

AT SHANGHAI THREE YEARS AGO

PUBLICITY BUREAU, NAVY DEPARTMENT

August 13, is a day never to be forgotten by the Japanese nation, for that date three years ago, marked the opening of the Shanghai campaign, a

unique and most thrilling one in the annals of war, following the provocative challenge of the Chinese army.

In greeting this third anniversary of the outbreak of the campaign, we recall with gratitude the bitter fighting waged by the Japanese landing party in its earlier stages and the subsequent close cooperation between the Japanese military and naval forces around Shanghai for more than 70 days. At the same time we pay a glowing tribute to those who lost their lives and to the sick and wounded for the valour they manifested. We who live and are well take this occasion to pledge our renewed efforts for the construction of a new order in East Asia on the altar of their sacrifice.

The campaign was marked by a lightning landing of Japanese forces in the international city in face of strong enemy resistance, and the coordinated activities of Japan's land and sea forces, with the naval and military air arms. It provided the occasion for originating tactical moves of no little consequence and furnished by the peculiarities which surrounded it valuable instructions and suggestions on the disposal of the China Affair itself.

Movements of the Japanese Navy Before and After the Outbreak of the Shanghai Campaign

The China Affair was the outcome of the outrageous, anti-Japanese policy, assiduously and systematically pursued by the Chiang Kai-shek régime in defiance of international justice over a period of many years. Anti-Japanism was the instrument by which that régime attempted to bring the whole of China under its control. Hatred of Japan was the guiding principle in the moral training of young China and of the Chinese Army—a line of education which is against all the principles of humanity. For years previous to the outbreak of hostilities military service was enforced among the people with this country as the hypothetical enemy, while rapid rearmament was pursued under the guidance of Western military experts. This bolstered the growing conceit of the Chinese military and led the nation to overestimate its strength. The belittling of Japan's resources, and the spread of the war sentiments through the length and breadth of China could not but bring about the regrettable situation which resulted in open hostilities. Following the incident at Sian, capital of Shensi Province in December, 1936, when Chiang Kai-shek was made prisoner by Chang Hsueh-liang and his Communist colleagues, Chiang concluded an arrangement for cooperation between the Kuomintang and the Chinese Communists in offering resistance to Japan. And there and then a basic policy to carry on warfare against her neighbour was formulated by China's two opposing groups.

The rising storm of anti-Japanese hatred manifested itself in terroristic outbreaks in various parts of the republic.[1]

Nevertheless the officers and men of our China fleet exercised the greatest self-restraint upon all occasions. But the tide of anti-Japanese surged on to its climax in the Marco Polo Bridge incident of July 7, 1937. This was the signal for an open break between the two countries. The

[1] For the full account of the outrageous incidents, see an article entitled "Significance of the North China Problem" in the August, 1937, issue of TOKYO GAZETTE.

cause for all this was so deep-rooted that the spread of hostilities to Shanghai was inevitable, despite every effort on Japan's part to localize this incident. In August, the situation in Shanghai was suddenly aggravated. The Chinese army assumed a definitely provocative attitude, by constructing military works in the demilitarized zone along the perimeter of Shanghai, thus violating the truce agreement of 1932.

Japanese residents along the Yangtze River were advised to evacuate, their withdrawal commencing on August 1. By August 9 over 2,800 of them, under the protection of the Japanese Navy, were safely escorted to Shanghai from stations as far distant as 1,400 miles up that river. That same afternoon Naval Lieutenant Oyama and Warrant Officer Saito were butchered by Chinese troops, which added to the strain already imposed.

A settlement was sought, the Japanese landing party demanding the immediate withdrawal of the Chinese constabulary force from the demilitarized zone around Shanghai and the dismantling forthwith of the military works established on the perimeter. Instead of manifesting any sincerity in their negotiations, the Chinese military authorities became openly provocative steadily reinforcing their troops in and around Shanghai. At dawn, August 12, the Chinese 88th division arrived at the North Station by train and by lorry. Strong pillboxes which had been constructed in the compounds of the Greater Shanghai Municipal Government offices at Kiangwanchen and Chapei just outside the International Settlement were immediately manned and preparations made for action. The Japanese landing party, some 3,000 strong, thus found itself surrounded by forces ten times greater numerically which opened fire on them as the funeral services for the late Lieutenant Oyama and Warrant Officer Saito were being conducted at headquaters. In honour of the victims to Chinese atrocity, the Chinese army was brutal enough to fire upon the Japanese landing party, raising the curtain on the Shanghai campaign. It was the declared intention of the Chinese to annihilate not only the Japanese troops but also the 30,000 Japanese nationals then residing in Shanghai.

Crack units of the Japanese Navy were immediately despatched to reinforce their comrades as Vice-Admiral Ohkochi, Commander of the Japanese landing party, issued the historic order to his command, " Stand by and start fighting ! " This was at 4 : 55 p. m., on August 13 when the Chinese troops opened fire upon the headquarters of the Japanese landing party. On August 23, our troops landed at Woosung against heavy odds as the Chinese forces had by this time swelled to 200,000. Signal credit is due to the Japanese Navy for the lightning sea and air operations by which victory at Shanghai was made possible.

Peculiarity of the Shanghai Campaign and British Obstructions

Spread of hostilities to Shanghai was inevitable, as it was part of the Chinese plan to engage Japan on that ideal battlefield for China. Through such a move Chiang hoped to involve those other Powers interested in that city in the conflict thus bringing about international complications

which might result in intervention against Japan. Moreover, Nanking the seat of the Government and the military centre of the country, was but a few hours away with every water and land facility for concentrating large bodies of troops around China's principal port. The Chinese military likewise placed great reliance upon the costly fortifications which had been constructed in that vicinity during the preceding five years.

Our movements were greatly hampered by the peculiar conditions which obtained. In fact there were occasions when the Japanese defenders were exposed to most serious danger on this account. Some of these peculiarities we shall enumerate below :

1. *Chinese Partisans or Plain-Clothes Soldiers*

Chinese partisans or plain-clothes men were the ones who first fired on a sentry of the Japanese landing party on August 13, thus precipitating hostilities. Armed in every way, it was their mission to carry the conflict well into enemy lines and disturb peace in the rear. The international status of Shanghai, which allowed for the free movement of these irregulars who found the situation an ideal one for their activities, was one of the most serious problems with which our forces had to contend.

2. *Street Fighting*

Another difficulty was presented by street fighting with which the Japanese landing party was not unfamiliar and in which it had been carefully trained. Nonetheless that form of fighting which could be long-drawn and undecisive proved a considerable disadvantage to our troops, who found their actions greatly restricted. With heavy reserves to draw upon in case of need the Chinese could carry their defence from house to house, street to street, and to dislodge them necessitated the complete razing of all buildings in the town.

3. *International Settlement and French Concession in Shanghai*

Foreign Shanghai comprises an International Settlement and a French Concession, surrounded on all sides by Chinese territory—a condition which obtains nowhere else in the world, this afforded the Chinese troops tactical advantages of which they were not slow to make use. They took up strong positions for instance in Chapei (near the North Station), and attacks directed against them from the side were accompanied by the danger of shells falling within the International Settlement. Every inch of ground gained had to be bitterly contested and at the price of heavy sacrifice of Japanese lives.

The Chinese made the fullest use of the advantages provided them by the contiguity of their territory to the International Settlement and the French Concession, and ran their own defence lines right alongside those of the foreign troops guarding the Shanghai perimeter. This allowed for no inconsiderable assistance to them from across the border in devious ways, and instances of this aid, in which the British were directly concerned and which could not but prove obstructive to Japanese operations, are many.

In the opening aerial attack on the "Idzumo" Chinese bombs falling

off their mark, severely damaged British-owned property close by. The British authorities requested that the "Idzumo" move away from her berth under threat of opening the Settlement barricades to the surrounding Chinese troops. The Chinese too were not debarred from access to tall buildings in the Settlement from which they were able to reconnoitre the Japanese lines. Our planes were fired at by anti-aircraft and machine-guns from the British-patrolled area. The besieging of the Joint Savings' Bank warehouse in which several hundred troops had barricaded themselves was another occasion for assistance and obstructive tactics. Provisions and water were supplied these troops from across the Settlement border and when, to evade capture, these men decided to make good their escape, the Settlement barricades were opened to assist them.

What took place at Shanghai was but the commencement of what went on during the whole campaign in China—the Chiang-aiding Powers treating the Settlements, which were in truth under the sovereign rule of China, as if they were their colonial possessions.

Japan is now engaged in the gigantic task of constructing a new order in Greater East Asia, with the same ideal as caused her to embark on the China Affair, namely the peace of the Orient. In recalling the Shanghai campaign we must renew our grim determination to cope efficiently with the current changes in the world by recognizing the gravity of the situation and establishing an intensive national defence structure on the basis of a new political structure.

INCOME TAX LAW

CHAPTER IV

Declaration, Application, Investigation and Decision

ARTICLE 34

A person who is liable to pay classified income tax in respect of real property incomes, Class B incomes from dividends and interest, business incomes, Class B earned incomes, incomes from forests or Class B retirement incomes, or a person who is liable to pay composite income tax in respect of gross incomes of individuals shall report to the Government the kinds and amounts of income and other necessary matters by March 15 every year, as prescribed by Ordinance.

A person who desires to obtain a deduction in virtue of the provisions of Article 25 shall present a written application therefor as prescribed by Ordinance, simultaneously with the report referred to in the preceding paragraph.

ARTICLE 35

A person who has Class A earned incomes shall, as prescribed by Ordinance, make a declaration to the Government of necessary matters pertaining to the deduction in virtue of the provisions of Article 16.

A person who desires to obtain a deduction in virtue of the provisions of Article 24 shall present a written application therefore to the Government as prescribed by Ordinance.

ARTICLE 36

The amounts of real property income, Class B incomes from dividends and interest, business incomes, Class B earned incomes, incomes from forests and Class B retirement incomes as well as the amount of gross income of individuals shall be determined by the Government on the basis of an investigation made by the Income Investigation Committee.

If an omission has been found in respect of the decision of the amount of incomes as referred to in the preceding paragraph after the adjournment of the Income Investigation Committee, the amount of the incomes concerned may still be determined by the Government on the basis of an investigation made by the Income Investigation Committee for three years from the year following that in which the decision ought to have been made.

If, after the adjournment of the Income Investigation Committee, a person having an income as referred to in Paragraph 1 has reported that he is liable to pay tax or a person who is liable to pay tax has reported that there has been an increase in the amount of his income, the amount of

income concerned shall be determined by the Government notwithstanding the provisions of the preceding two paragraphs.

When a person who is liable to pay taxes ceases to have a domicile or place of residence within the area where the present law is in force, without giving notice of an agent to take charge of payment of his taxes, prior to the decision of incomes in virtue of the provisions of Paragraph 1, the amount of such incomes may be determined by the Government on the basis of its investigation, notwithstanding the provisions of Paragraph 1.

The provisions of the preceding four paragraphs shall not apply in respect of a person who is deemed to have no assessable amount for taxation as a result of the deduction in virtue of the provisions of Article 25 or Article 26 (2).

ARTICLE 37

In case the Income Investigation Committee fails to be constituted by May 31, the amount of income involved shall be determined by the Government.

In case the Income Investigation Comittee fails to complete the investigation within the period referred to in Article 58 from the day of its opening, or by May 31, the amount of incomes, the investigation whereof has not been completed, shall be determined by the Government.

ARTICLE 38

In case the Government deems any decision of the Income Investigation Committee to be improper, the matter shall be referred back for re-investigation within a period not exceeding 7 days for so doing, and in case the decision is again deemed improper, or in case the investigation fails to be completed within the period specified for re-investigation, the amount of income shall be determined by the Government.

ARTICLE 39

When the amount of income has been determined in accordance with the provisions of the preceding three articles, the Government shall notify the person liable to pay taxes of its decision.

In case a person liable to pay taxes, and who has no domicile or place of residence within the area where the present law is in force, fails to give notice of an agent to take charge of payment of taxes, the notification as referred to in the preceding paragraph may be made in the form of a public notice. In such case, it shall be deemed that the notification has been made if and when seven days have elapsed since the first day on which it was published.

CHAPTER V

Income Investigation Committee

ARTICLE 40

An Income Investigation Committee shall be organized within the jurisdiction of each taxation office; provided, however, that in respect to a municipality within the jurisdiction of a taxation office, an Income Investigation Committee may be specially organized by Ordinance.

The number of members on an Income Investigation Committee shall be prescribed by Ordinance; but any increase or reduction in number may be made only at the time of re-election.

ARTICLE 41

Members of an Income Investigation Committee shall be elected in each electoral district.

When the election of members of an Income Investigation Committee is made, the same number of reserve members shall be elected at the same time.

ARTICLE 42

The electoral district for members and reserve members of an Income Investigation Committee shall be based on the district within which an Income Investigation Committee shall be appointed, and the voting district and the counting district shall be determined by the limits of a municipality, town or village; but in the case of a municipality which has been designated in accordance with the provisions of Article 6 or Paragraph 3 of Article 82 of the Law Governing the Organization of Municipalities, the limits of a ward shall form the basis.

An association of towns and villages which jointly deal with the whole of the affairs of the towns and villages or the affairs of their offices, shall be deemed individual towns or villages; and in the case of an area where the Law Governing the Organization of Townships and Corporate Villages is not in force, that which corresponds to a town or village shall be deemed a town or a village.

ARTICLE 43

Persons who reside or live within the electoral district and who, in respect of incomes as referred to in Paragraph 1 of Article 36 or the businesses of individuals, have reported the amount of income or the amount of net profit by the legal time-limit in the year concerned and obtained a decision thereon, and who have been registered in the poll-register may elect members and reserve members of an Income Investigation Committee or may be elected members or reserve members of the said Committee; provided, however, that persons who come within the purview of one of the following numbers shall be excepted:

1. Persons under disability;
2. Insolvents who have not been reinstated;
3. Persons who have been subjected to a process for recovery of national taxes in arrears less than one year before;
4. Persons who have been condemned to penal servitude or imprisonment for six years or more, or who have been penalized for felony under the old Criminal Code;
5. Persons who have been sentenced to penal servitude or imprisonment for less than six years and who have not yet served the term or been freed from the execution of the sentence;
6. Persons who have been sentenced to a penalty of no less than imprisonment in accordance with the provisions of Article 94 or Article 95 and served the term or obtained exemption from the execution of the sentence except by prescription less than five years before;
7. Persons who have been punished with a fine or minor fine in accordance with the provisions of Articles 88 to 95 or the provisions of Articles 33 to 35 of the Business Tax Law, with the case decided less than five years before.

In case where an election is to be held prior to the decision of the amount of income and the amount of net profit for the year concerned, payment of income tax or business tax in respect of incomes as referred to in Paragraph 1 of Article 36 or the businesses of individuals during the preceding year shall be deemed a decision obtained in regard to the amount of income or the amount of net profit for the year concerned.

In the case of the preceding two paragraphs, the decision of the amount of income or the amount of net profit which has been made in respect of a predecessor shall be deemed as the decision of the amount of income or the amount of net profit which has been made in respect of his successor and such payment of taxes or declaration made by a predecessor shall be deemed as payment of taxes or declaration made by his successor.

The provisions pertaining to the poll-register shall be prescribed by Ordinance.

Article 44

Affairs pertaining to the voting and the opening of ballots shall be in charge of the heads of municipalities, wards, towns or villages, and affairs pertaining to election meetings shall be in charge of the superintendents of taxation offices.

In respect to the association of towns or villages referred to in Paragraph 2 of Article 44, the administrators of the associations, and in respect to the areas where the Law Governing Organization of Townships and Corporate Villages is not in force, those who correspond to the headmen of towns or villages, shall be deemed the headmen of towns or villages.

Article 45

The superintendents of taxation offices shall determine the date for the election of members or reserve members of an Income Investigation

Committee and notify the heads of municipalities, wards, towns or villages of the same.

When the heads of municipalities, wards, towns or villages have received the notification, as referred to in the preceding paragraph, they shall issue a public notice to the effect at least seven days prior to the date for election.

ARTICLE 46

The election shall be conducted by secret voting.

The balloting shall be limited to one vote for each person for the election of members and of reserve members of the Income Investigation Committee.

The electors shall go to the polling-places in person within the hours fixed for balloting on the day of election and shall vote by stating the full name of one candidate each on separate voting-papers.

The voting-paper shall be handed to the elector at the polling-booth on the day of election.

ARTICLE 47

The heads of municipalities, wards, towns or villages shall investigate the votes cast and immediately report the results to the superintendents of taxation offices.

ARTICLE 48

When the superintendents of taxation offices have received the report, as referred to in the preceding article, they shall hold election meetings to conduct an investigation of the same.

ARTICLE 49

The presence of witnesses shall be required at the voting, the opening of ballots, and at election meetings.

The provisions pertaining to witnesses shall be prescribed by Ordinance.

ARTICLE 50

Persons who have polled the largest number of votes shall be returned. If the number of votes is the same, the older person is to be selected and if the ages are the same, the selection shall be decided by drawing lots.

Persons who have been elected members of an Income Investigation Committee may not be reserve members even though they may be elected reserve members at the same time.

ARTICLE 51

When the election of members and reserve members of an Income Investigation Committee has been completed, the superintendents of taxation offices shall publish the full names of the persons elected and also notify

the persons elected and the headmen of the municipalities, wards, towns and villages.

When the headmen of the municipalities, wards, towns and villages have received the notification as referred to in the preceding paragraph, they shall publish the full names of the persons elected.

ARTICLE 52

Persons who have been elected members or reserve members of an Income Investigation Committee may not decline to serve on the Committee without good reasons.

ARTICLE 53

The term of office of members and reserve members of an Income Investigation Committee shall be four years calculating from the month in which the election day occurs.

In cases where a change in the limits of the electoral district has resulted in an increase or decrease by over one-fifth of the total number of persons within the district concerned who have obtained decisions of the amounts of income for the year concerned in respect of incomes as referred to in Paragraph 1 of Article 36 and/or who have obtained decisions of the amounts of net profit for the year concerned in respect of the businesses of individuals, the term of office of members and reserve members of an Income Investigation Committee shall terminate with the month in which the day of such change in the electoral district occurs ; but the term of office shall terminate with March if such change in the electoral district occurs in January or February, with September if such change occurs either in April to August or with March in the following year if such change occurs in December.

The provisions of Paragraph 2 of Article 43 shall apply with necessary modifications in respect of the case where a change in the limits of the electoral district has occurred prior to the decision of the amounts of income and the amounts of net profit for the year concerned.

ARTICLE 54

The re-election of members and reserve members of an Income Investigation Committee shall be held in the month following that in which the term of office of the predecessors terminates.

ARTICLE 55

When a vacancy has occurred in the Income Investigation Committee, the person to fill the vacancy shall be selected from among the reserve members polling the largest number of votes in order, and if the number of votes polled is the same, the older person shall be selected, and if the ages are the same, the selection shall be decided by drawing lots.

When a vacancy has occurred in the Income Investigation Committee and if there is no reserve member to fill the vacancy, a by-election of members of the Income Investigation Committee shall be held.

ARTICLE 56

A person who has become a member of an Income Investigation Committee or a reserve member thereof shall be in office for the remaining term of office of the predecessor.

The term of office of members and reserve members of an Income Investigation Committee who have been newly elected as a result of a change in the limits of the electoral district shall terminate in four years from the month in which the date of election occurs of the members and reserve members of the Income Investigation Committee prior to such change in the electoral district.

ARTICLE 57

When a member or reserve member of an Income Investigation Committee has come within the purview of any of the numbers of Paragraph 1 of Article 43 or when he has ceased to be liable to pay taxes in respect either of income tax on incomes as referred to in Paragraph 1 of Article 36 or of business tax or when he has ceased to reside within the electoral district concerned, he shall be disqualified from holding office.

ARTICLE 58

The number of days an Income Investigation Committee shall be in session may not exceed 30 days and shall be prescribed by Ordinance according to local conditions.

ARTICLE 59

An Income Investigation Committee shall open its session according to the notification of the superintendent of the taxation office concerned.

ARTICLE 60

An Income Investigation Committee shall elect a chairman from among its members at the beginning of the session every year.

ARTICLE 61

The superintendent of the taxation office shall investigate the amount of incomes of persons who are deemed to be liable for payment of taxes in respect of incomes as referred to in Paragraph 1 of Article 36 every year and forward the returns to the Income Investigation Committee.

The provisions of the preceding paragraph shall not apply in respect of a person who is deemed to have no assessable amount for taxation as a result of the deduction in virtue of the provisions of Article 25 or Article 26 (2).

The provisions of the preceding two paragraphs shall apply with necessary modifications in respect of Paragraph 2 of Article 36.

ARTICLE 62

An Income Investigation Committee may not pass a resolution unless a majority of its full membership is in attendance.

Matters for deliberation shall be decided by a majority vote of the members present. In case of a tie, it shall abide by the decision of the chairman.

ARTICLE 63

No member of an Income Investigation Committee shall take part in deliberations on matters pertaining to his own income or of a person who is in the same census register as himself.

ARTICLE 64

The superintendent of the taxation office or his deputy may attend the meetings of the Income Investigation Committee and state his opinion.

ARTICLE 65

Members of an Income Investigation Committee shall be granted allowances and travelling expenses.

ARTICLE 66

No member of an Income Investigation Committee shall act as an agent of persons liable to payment of taxes, or be engaged in the business of giving counsel to such persons, or conduct such business for remunerations, in respect to an application for investigation, petition, or the institution of a lawsuit at the Court of Administrative Litigation concerning the standard amount of assessment which has been determined on the basis of an investigation by an Income Investigation Committee of which he is a member.

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CONCERNING THE NEW NATIONAL STRUCTURE

—Address by the Prime Minister, Prince Fumimaro Konoe;
at the first session of the Preparatory Committee,
August 28, 1940—

IN THE midst of a world upheaval of unprecedented magnitude, Japan is today going forward with the unparalleled task of creating a new order in East Asia. If she is to bring the China Affair to a successful conclusion while adjusting herself to the international situation, and take a leading part in the establishment of a new world order, she must concentrate upon the accomplishment of this task the moral and material resources of the nation to the utmost degree so as to be in a position to take independently, swiftly and resolutely appropriate measures to meet whatever situation may arise. To this end Japan must perfect a highly organized national defence structure, the basis of which is a powerful internal structure. Consequently, there has arisen the pressing demand for the setting up of a new structure in politics, economy, education, culture and in all phases of the life of the State and of the people.

This demand is indeed the expression of the will of the nation, transcending Cabinet, faction or individual; nor is it of an ephemeral character for the carrying out of a specific policy, but rather of a lasting nature for rendering possible the energetic pursuance of any policy when the necessity arises. Whether or not Japan can firmly set up such a strong national structure will decide the rise or fall of the nation.

Among those matters which require to be considered in this new organization of the nation must be mentioned the harmonious cooperation between the High Command and the administrative branches of the Government, the consolidation of the mechanism of State and the heightening of efficiency, the institution of a new parliamentary structure for assisting the Throne. The Government, on their part, are exerting serious efforts toward the achievement of these ends; but of far greater importance is the firm establishment of that "national structure" which is to serve as their very foundation and by which the people are to fulfil effectively their duty of assisting the Throne. It is with this end in view that the present Preparatory Committee has been convened and that I request

your deliberations and collaboration.

The aim of the new national structure is to unite all the forces of the State and people, welding into one living whole our hundred million fellow countrymen and enabling them to fulfil in the highest degree their duty as subjects of the Throne. The realization of this purpose, can only reside in the due performance by each of his appointed task. It is but natural when, as has been the case in the past, the majority of the people have no other opportunity of taking part in government than by casting a vote as the occasion arises once every three or four years, that the nation as a whole should find itself unable to take to heart the destiny of the country.

The organization of the nation is to be that in which the people serve the State in their everyday life, and must therefore embrace the economic and cultural spheres. There must be a solid nation-wide structure in which each component part is organized vertically and yet work in coordinated unity in a horizontal plane. It is because there does not exist such a structure, in which the people can effectively assist the Throne, that we see today a tendency toward conflict between those who govern and those who are governed ; an absence on the part of the authorities who formulate the nation's policies of a true understanding of the people's real activities ; and an indifference on the part of the people toward the formulation of State policies.

In view of this state of things, the essentials of the national structure are manifest : the people should be enabled to take a direct part from within in establishing the country's economic and cultural policies, which policies should embrace every sphere of national life to its very periphery. It is only under such conditions that the will and ideas of both those who govern and those who are governed can be fully appreciated by each other and that the entire strength of the nation can be concentrated on carrying out the national policies.

For the successful realization of this national structure a national movement is necessary. Such a movement should spring spontaneously from the people themselves. Where it is planned or guided by the Government, or where it is given an administrative structure, it may hinder the spontaneous manifestation of the total strength of the nation. The present circumstances, however, do not allow us to rely solely on the spontaneous development of such a movement. Moreover, undirected efforts from below are liable to degenerate into factional strife and fail to develop into a really national movement. The Government have thus found it necessary to take positive steps for fostering and directing this movement.

Viewed in this light, this movement is a common undertaking of

the Government and of the people ; it is a nation-wide movement to assist the Throne. It is not merely a spiritual movement in the narrow sense but one aiming at uplifting the political ideals and enhancing the political consciousness of the nation. And the choosing of men of talent, reputed or otherwise, from all strata of society to form the nucleus of the movement and thus to obtain for it a strong political power and driving force is the first and indispensable step that should be taken.

The movement is highly political in nature, but it is by no means a movement for a political party. Individual and sectional interests and attitudes are necessarily in the very nature of a political party. It is true that there can be no whole without a part ; to condemn parties, however, because they comprise sectional elements is not sufficient. It may be said that in those times when liberalism was the basis of economic activities, the existence of political parties was justified. It must be acknowledged that in Japan too the parties stood up against the clannish and bureaucratic influences to make heard the voice of the people. Nevertheless it cannot be denied that the past activities of the parties were often not in keeping with the essential function of the Diet, which is to assist the Throne.

The new national structure movement aims at superseding the old party politics predicated upon liberalism. It is essentially national, all-embracing and public-spirited in character. It aims at the concentration and unification of all the forces and resources of the nation. Its activities extend to the whole life of the nation. Even were this movement to rise as a popular movement, its character would not be that of a political party in the old sense. It would, on the contrary, be a national movement standing above any political party, embracing all parties and factions, economic and cultural bodies, and uniting all in the spirit of public service. When such a movement is led by the Government, those who hold the reins of Government and are entrusted with the task of assisting the Throne, are always placed in a position where they must seek the welfare of the whole but never be permitted to indulge in party politics which, in their very nature, contain elements of sectional antagonism and conflict.

As I have just stated, the national structure cannot take the form of a political party, especially when it is led by the Government. Nor can it be allowed to take the form of a single party system. Such a political system takes a " part " and makes of it a " whole " ; it considers the State and the Party as one and the same thing, and views any opposition to the Party as a revolt against the State ; it

renders permanent the ruling position of one Party, with the head of that Party as a permanent wielder of the power to govern. No matter what brilliant results such a system may have reaped in other lands, it is not acceptable in Japan as it is contrary to the basic principle of our national polity of "One Sovereign over all." In Japan, it is the privilege of every one of His Imperial Majesty's subjects to assist the Throne, and that privilege cannot be monopolized by the power of either a single person or a single party.

If there should arise a difference of opinion concerning the assistance to be offered, the final decision would rest with the Throne. And once an Imperial decision has been given, all the subjects of the Throne should unite in obeying His Majesty's Command. That is the very essence of Japanese polity.

Briefly, the new national structure is a nation-wide and permanent organization in which the Japanese people in all walks of life are to fulfil their duty of assisting the Throne.

Although the perfection of this structure is in no wise an easy task, the Government are convinced that it provides the best means for surmounting the difficulties which face the nation today.

His Imperial Majesty the Emperor was pleased to grant a Message on February 11 of this year, pointing to His subjects the way in which they should meet the present situation. The Government, in obedience to the Imperial Command, are taking the lead in this national movement to assist the Throne. They are resolved to overcome the serious obstacles confronting our country and to fulfil the heavy responsibilities which are theirs to "guard and maintain the prosperity of the Imperial Throne."

I have invited eminent authorities from the Government, from the Army and Navy, and from circles outside of the Government to join this Preparatory Committee for the National Structure, and I ask that you will study and collaborate in solving the questions relating to the general lines of the organization, the creation of a central organ for the national movement, and the adjustment of its relations with existing organizations as well as its coordination with the structure of the State.

CONFORMING TO THE NEW NATIONAL STRUCTURE

CABINET INFORMATION BUREAU

PREPARATIONS for the establishment of the new national structure, the nature and necessity of which have been clearly and fully stated in the address of Prince Fumimaro Konoe printed elsewhere in this issue of TOKYO GAZETTE, have been in active progress. Meanwhile, all sections of the nation are fast making efforts to conform to the principles set forth in the Prime Minister's statement. Elimination of sectional interests by doing away with sub-groupings among business, economic and cultural circles, not to mention the voluntary dissolution of political parties, has already been witnessed. More significant, however, has been the response on the part of the man in the street to the call of the hour, manifesting in his daily life the ideal and principles of the new structure. These few weeks have totally changed the scene in the street; the conspicuously colourful and expensive dresses that women wore during the past few years—a taste unfortunately influenced by the levity of the families of men in prosperous industries, and strongly deprecated by all thinking people—can no longer be seen today.

In line with this sobre state of mind prevailing throughout the country, hotels and restaurants have not only stopped serving expensive meals, but have also refrained from providing alcoholic beverages except after 5 p.m. Department stores in the larger cities, which had hitherto been displaying luxuries of all kinds and thereby stimulating the desire to spend improvidently, have reverted to their essential function of facilitating the distribution of the necessaries of life; taxies are discouraged from taking fares to and from places of amusement so that people with more important business to do may not be deprived of a rapid and convenient means of transportation; and any vestige of extravagance even on such extraordinary occasions as weddings and funerals has not escaped scrutiny and elimination.

To return again to the department store, its genius and resources for publicity and propaganda can be utilized most effectively by the new structure for creating a new fashion and culture in accordance with its ideals, besides being made to function as efficient agencies of distribution. No doubt there are many other institutions that have served their purposes well under the old order, but which can be

turned, with little effort, to even greater use under the new structure. Thus are all resources being mobilized for the establishment of the new national structure—the highly organized structure for national defence. All this is certainly reassuring. If, however, the efforts end merely with the external phase of life, it will not be possible to muster the real strength of the nation, rendering it difficult to meet any unexpected developments in both the domestic and world situation.

To be set up in the Mind First

The new structure must therefore be set up, first of all, in the heart and mind of every one of the 100 million Japanese subjects, thereby enabling them to think always in terms, not of the individual, but of the whole. Accordingly, what has hitherto been regarded as a restriction imposed upon the individual has now come to be regarded as an act of voluntarily sacrificing the desires of the moment for building up for the future the life of the whole, wherein the individual life shall be elevated and perfected.

In the light of these considerations, it is most fitting that the educational authorities should recently have taken steps to create among the students a mentality for conforming to the new national structure by introducing the disciplinary measures outlined below. For, after all, the rising generation, particularly the students who are expected to guide the destiny of the nation, forms the most important constituency of the new structure.

Disciplinary Measures for Students

One of the measures is the restriction on the use of vehicles in going to school. This will require students, including school children, who live within a distance of 2 kilometres, to go to school on foot, excepting the cases where physical disability prevents them from doing so. This restriction aims at enabling the students not merely to take regular, healthful exercise but consciously cooperate in relieving traffic congestion and in preventing waste of manpower and materials.

The other is the restriction placed on amusement and entertainment facilities patronized by students. They are not allowed to go to the movies on weekdays, except holidays and Saturday afternoons, or when cultural films only are shown, or when school authorities take them to the cinema for educational purposes. Nor are they allowed to patronize billiards-saloons, cafés and like places where contacts with waitresses and girl employees may have degrading influences. This measure is adopted with a view to safeguard-

ing the students from influences that off-set the basic purposes of education and to helping them concentrate on their studies which is their primary duty as subjects of the Throne. A concomitant but no less important result of this measure is the practice of thrift, which should be emphasized at the same time. These are, needless to say, only the beginnings of a plan to renovate the life and spirit of the students; further tightening of control on the one hand and improvement of facilities for amusements, recreation and sports on the other are urgently necessary. To this end the educational authorities have already taken steps for the production of better and higher types of entertainment and cultural films in accordance with the Motion Picture Law. The recent measures taken by the authorities of Government higher schools to reorganize student sports and cultural bodies also will have far-reaching results in setting up the new structure in student life.

Ideological Trend

The ideological trend of students has frequently been questioned by the thinking public, but according to the educational authorities, it is on the whole improving. The extent to which they comprehend the gravity of the domestic and world situation is indeed encouraging. Instances of thought and action by students which betray utter ignorance or disregard of the situation are comparatively rare, although there are the inevitable black sheep to be found among them.

This fact can be attested by a survey of what students read nowadays. The most popular books, according to statistics prepared by the educational authorities, are war literature such as *Wheat and Soldiers* and *Earth and Soldiers*. Next come the "Search of the True Life" type of literature. *The Good Earth*, by Pearl S. Buck, is also one of the best read books. Thus it will be gathered that the Japanese student of today is seriously occupied in search of the new and higher principles of life.

As for the personalities they admire, these include such names as Takamori Saigo, foremost leader of the Meiji Restoration; Masashige Kusunoki, the greatest loyalist of old; Dr. Hideyo Noguchi, the world-famous bacteriologist, who sacrificed his life when engaged in researches on yellow fever; General Maresuke Nogi, Hero of the Russo-Japanese War, who is worshipped as the personification of the ideal and principles of Bushido; and Shoin Yoshida, patriot and teacher to whom most leaders of the Meiji Restoration owe their education. Names such as Tolstoy and Goethe are mentioned less frequently nowadays.

In respect to magazines, highly intellectual reviews, such as Bungei-Shunju, Chuo-Koron and Kaizo, are most popular with the students. *The Economist* is widely read among university students. The *Weekly Report*, from which much of the material in TOKYO GAZETTE is selected, is increasingly read by the younger intellectuals. The latest issue containing an exposition of the new national structure has been accorded a warm reception. As the work of the nation's new organization progresses, the rôle of the *Weekly Report* as interpreter of governmental policies under the new structure will increasingly be recognized by the thinking public, including students. The question of magazines devoted purely to entertainment, though negligible in itself, nevertheless has a certain bearing upon student thought, and accordingly must be approached —along with that of women's magazines—rather from the angle of eliminating waste of material. Such publications should of course be re-examined and regulated both in quality and quantity.

Ideological Grouping

The ideological trend of student thought is best reflected in their ideological groupings. A study made in 1933 of student organizations gives the number of those of nationalist leanings as 60, with a total membership of 20,000, while statistics for 1939 show 209 organizations with a total membership of 31,000. An increase not in membership but in the number of organizations is noteworthy, for it indicates that the nationalist movement is still in the stage of organization ; nevertheless its trend is decidedly on the rise, and the establishment of the new national structure will greatly enhance its growth. Classified according to their purposes and aims, nationalist student organizations can be grouped into three categories : (1) for promoting the Japanese spirit, (2) for the study of national defence, and (3) for the study of East Asiatic affairs.

Compared with conditions some 10 years ago when leftist organizations and movements were prevalent in almost all types of higher educational institutions, those with the communist background are markedly on the decrease ; they assuredly do not exist today as an organized movement. It does not follow, however, that efforts for guarding against that sinister influence and for guiding the thought life of young intellectuals in the right direction are no longer necessary ; for, the majority of students who do not align themselves with active nationalist groups remain always as raw materials which can be processed into any desired colour. Here lies a vast field for immediate and energetic activity on the part of workers for the new structure.

JAPAN AND AUSTRALIA

BUREAU OF INFORMATION, DEPARTMENT OF FOREIGN AFFAIRS

AN exchange of diplomatic representatives between Japan and Australia, desired by the Governments of both countries for some time, is about to become a reality with the acceptance by the Japanese Government of the Australian Government's proposal to that effect, with a view to increasing goodwill and friendship between the two nations. The Japanese Government has already granted the *agrément* sought by the Australian Government to the appointment of Sir John Grieg Latham, at present Chief Justice of the Federal High Court of Australia, who visited Japan as a goodwill envoy in 1934, as Australia's first Minister at Tokyo. Realizing that balanced relations between the two countries is of prime importance with the development of the new situation in East Asia, the Japanese Government have decided to send a Japanese Minister to the Commonwealth Government at the earliest possible date.

Population and Religion

Australia is more than 2,970,000 square miles in area, approximately the size of the United States and 11 times as large as Japan. It is comprised of six states, New South Wales, Victoria, Queensland, South Australia, West Australia and Tasmania, plus several territories. The latter include the Northern Territory, Norfolk Island (north of New Zealand), and the northeastern part of New Guinea, former German colony which has been mandated to Australia. Australia also has the virtual control of Nauru Island, another former German possession, although it is mandated jointly to Great Britain, Australia and New Zealand.

The population of Australia proper in 1938 was approximately 6,890,000 and is estimated to have reached 7,000,000 since. The population per square mile is about 2.5, but as most of it is concentrated in the capitals of the six states, it is actually less than one person per square mile in the rest of the country. About 90 per cent of the population is of Australian nationality. Although there are a large number of naturalized Europeans, 90 per cent of the population is said to be of British descent. Among foreign residents, Italians are most numerous with 17,000, followed by 7,700 Chinese, 5,500 Greeks, 3,600 Germans and 2,100 Japanese, accord-

ing to a survey made in 1933. One Italian source, however, estimates that there are 70,000 persons of Italian blood in Australia.

As for religious affiliations, 87 per cent of the population is of the Christian faith, of which 44 per cent, or about 38 per cent of the total population, belongs to the Church of England, and 20 per cent, or 18 per cent of the total, is Roman Catholic. In some parts of the country, employers will not hire persons of a different religious sect, and it is said that there are many persons who will not speak to others of different creeds.

Peculiarities of the Federation

The six states comprising the Commonwealth developed individually, each as a separate British colony, attaining independence at different times. New South Wales attained independence in 1788, Tasmania in 1825, West Australia in 1859, Victoria in 1851, South Australia in 1857 and Queensland in 1859. Each has its own history and tradition and the people of each cherish strong state sentiment, almost to the point of inter-state rivalry. This was shown when the Commonwealth of Australia was founded. The site of the Federal Capital became a serious issue between New South Wales and Victoria, the two leading states, with the former insisting on its own capital of Sydney and the latter wanting the Federal Capital at its capital, Melbourne. A compromise was reached and the Capital became established at Canberra, approximately an equal distance from both Melbourne and Sydney. It may be noted also that railways are of different gauge in different states, so that passengers travelling between states must alight at the boundaries and walk across to board another train.

Formation of the Commonwealth

Australia has gone through various stages of development since Captain James Cook, the English navigator, first hoisted the British flag in New South Wales in 1770. For 52 years, from 1788 to 1840, it was a place of exile, and then it began to develop rapidly as a colonial territory for free persons. The discovery of gold in 1851 precipitated a rush to Australia and from then on steady streams of immigrants flowed into the new country from England and other European nations. Each state maintained different legislative and economic systems, however, and developed conflicting interests, especially between the population centres and the hinterlands.

There were controversies among them over trade and protection until about 1880, when the European nations began great colonial activity in the South Sea regions to the north of Australia. The Germans in particular made determined inroads into New Guinea, acquiring a foothold in the northeastern section as a German possession. The Australians were not a little alarmed over the German success so close at hand, and they became fearful of possible German incursions on their own continent. They began to realize the advisability of cooperation among themselves, of discarding dangerous isolation policies of the past in order to cope with the new situation. A series of inter-state negotiations culminated in a conference at Sydney in 1891 to discuss federation. In 1900, a Federal Constitution was adopted and gained the approval of the British Parliament, and in January, 1901, the Commonwealth of Australia was proclaimed formally. Thus Australia acquired Dominion status 34 years after Canada. The Northern Territory, which belonged to South Australia at that time, came under direct Federal Administration with Canberra 10 years later.

Commonwealth Politics

The political power of the Commonwealth of Australia is vested in the King of England, who appoints a Governor-General to exercise that power. In practice, however, the Australian Cabinet exercises all political and administrative authority. The political field at present is dominated by the Federal Labour Party, the United Australia Party and the Country Party. When the European crisis became acute, the United Australia Party was in power, but a coalition Government with the Country Party was brought about in the spring of 1939 because of the international situation. An attempt was made to bring the Federal Labour Party into the coalition at the outbreak of the European War, but that party maintained that in a democratic country there should be some opposition to the Government even during wartime.

Of the three, the Federal Labour Party maintains leadership, advocating the principle of "Australia for Australians." Under that slogan, it insists on a Governor-General who is not personally acquainted with the King. The party advocates protective trade legislation in the interests of labour, opposes extensive land-holdings and favours national ownership of public enterprises and nationalization of banking. The United Australia Party is the most ardent champion of British imperialism, insisting that the Commonwealth must be a loyal member of the British Empire. It also advocates

reciprocal trade arrangements among members of the Empire. The Country Party follows the same line as the United Australia Party in relations with the Empire, but, as representative of agricultural and stock-breeding interests, it favours lower tariffs to facilitate industrial imports for a corresponding increase in agricultural exports. Thus it always has been the third party, although its reign is undisputed in Victoria, the centre of the agricultural and stock-breeding industries. The Foreign Minister, Mr. John McEwen, and the concurrent Navy and Commerce Minister, Mr. A. G. Cameron, are members of the Country Party. Incidentally, Sir John Greig Latham, who has been appointed Minister to Japan, is a native of Victoria.

Industries

Australia is always thought of for its agricultural and husbandry products, but it has been making remarkable progress of late in manufacturing fields, under a protective trade policy. During the last 10 years, the manufacturing output of Australia has reached 36 per cent of the total, compared with 64 per cent agricultural and pastoral production. Of the latter categories, live-stock breeding represents 24 per cent of the nation's industrial output, with sheep as the principal item. Farming, chiefly of wheat, accounts for 21 per cent of the output. In 1938, Australia had 114,000,000 sheep, more than any other nation and about 20 per cent of all the sheep in the world. Australia is the third greatest wheat exporting country, Canada and Argentina being the first and second respectively, shipping about 100,000,000 of its annual total of 188,000,000 bushels. Other important agricultural products are butter, cheese and various kinds of fruit. The principal manufactured products are machine-tools, conveyors, beverages, tobacco, cloth, paper, stationery, chemicals, dyes, etc. In June, 1937, there were 500,000 industrial workers in Australia, nearly 10 per cent of the entire population. This shows that Australia is making rapid headway toward becoming an industrial nation in the modern sense of the term.

Foreign Trade

Although Australian imports are increasing steadily, while exports are more or less static, the Commonwealth is still an exporting country. Exports for the fiscal year ending June 30, 1938, totalled £126,999,999, against imports amounting to £114,000,000,

showing an export excess of nearly £13,000,000. Wool tops the list of export products, followed in order by wheat, butter, wheat flour and mutton. Principal imports include textiles, machine-tools, conveyors, metals and metal products and so forth. Great Britain buys about half of Australia's exports, followed by France, the United States, New Zealand and Japan. Great Britain also is the largest exporter to Australia, followed by the United States, Canada, the Netherlands East Indies and Japan.

Relations with Japan

Relations between Japan and Australia began in 1876, when the Government of South Australia sought to import Japanese labour for work on the land. The Japanese Government agreed to the project the following year but had to abandon it when armed disturbances arose. From around 1890, however, Japanese immigrants employed on Queensland sugar plantations began to increase in number. Then Australian interest in the Japanese people was stimulated by the conclusion of the Anglo-Japanese commercial treaty in 1894 and the outbreak of the Sino-Japanese War in the same year. On the other hand, there was a movement for a "white" Australia in all parts of the country which aroused anti-Japanese sentiment to a small degree. When the Commonwealth of Australia was established in 1901, the Federal Government enacted a law restricting the entrance of foreigners into the country, which made immigration from our part of the world practically impossible.

During the World War, Japan sided with the Allies and its navy cooperated with British and Australian naval units for the transportation of Australian troops to the European front. However, when the war ended and the Japanese delegate to the Versailles peace conference presented a bill for racial equality, the Australian delegation energetically opposed the Japanese proposal.

The abrogation of the Anglo-Japanese alliance in 1921 and the measures of the Commonwealth Government in 1929 to curtail imports also cast a dark shadow on relations with Japan. These relations began to take a new trend in 1934, however, when Sir John Greig Latham visited Japan as head of an Australian goodwill mission. This paved the way for a gradual improvement in relations, until the Australian Government made its recent overture for the exchange of diplomatic representatives.

Trade With Japan

Although trade between Japan and Australia had been unfavour-

able in the past, last year's balance showed a small margin of exports in favour of Japan. Japanese exports and imports with Australia during the last four years is shown below in terms of 1,000 yen:

Year	Exports	Imports
1936	68,760	181,910
1937	72,080	165,250
1938	69,390	82,880
1939	72,100	71,030

Of these figures, the principal exports to Australia are rayon (26 per cent), cotton goods (21 per cent), silk goods (13 per cent), chinaware (3 per cent) and toys (2 per cent). Of Japan's imports from Australia, wool constitutes 72 per cent, and hides and skins 3 per cent.

A trade agreement was concluded between Japan and Australia in 1936 and was revised in 1938. New steps taken by the two nations certainly will enhance their intimate relations.

CONTROL OF THE DISTRIBUTION OF PERISHABLE FOODSTUFFS

DEPARTMENT OF COMMERCE AND INDUSTRY

BY PERISHABLE foodstuffs is meant such articles of food as fresh vegetables, fruit, fish and shellfish, which spoil within a short time. The distribution of these articles is effected roughly in the following manner : in the case of agricultural products the goods are delivered to central wholesale markets by either the producers' shippers, by middlemen, or by the producers themselves. Aquatic products are delivered at central wholesale markets by commission agents, middlemen, large manufacturers, or manufacturers' associations direct or through district distribution markets.

There are at present eight central wholesale markets located in the larger cities such as Tokyo, Osaka, Kyoto, Kobe, Yokohama, Koti, Kagosima and Sasebo. All of the markets are operated by the respective municipalities. The bulk of the goods delivered at the wholesale markets are consigned to the wholesale dealers for sale, with a small portion actually purchased by the dealers at the place of origin. Perishable foodstuffs at the wholesale markets are commonly auctioned off to middlemen ; sales are rarely made by tenders or at fixed prices. Retail merchants, restaurants and other eating-houses purchase at the wholesale markets through middlemen, although the intermediary of middlemen is sometimes dispensed with, in which case purchases are made direct from wholesale dealers. In localities where there is no central wholesale market, a similar system of marketing is observed at the local district wholesale markets.

Peculiarities of Distribution

Perishable foodstuffs naturally require a special system and method of handling inasmuch as they admit of no storing, and also differ greatly in type, size, quality, etc. even in articles of the same category. Due to these peculiarities a readjustment and improvement is planned in the manner of shipment and in the method of their wholesale and retail trade in the various cities, as well as the establishment of a more direct system of distribution between producers and consumers.

Provisional Control Measures of Distribution

Pending the setting up of a basic system of distribution, the need was felt for some provisional measures founded on existing methods. Accordingly, the Board of Planning has worked out, in consultation with other government agencies, the essentials of temporary measures for the control of distribution and prices of perishable foodstuffs, which measures were approved by the Cabinet Council on August 3, 1940. The plan aims at rationalizing the distribution system of perishable foodstuffs and, by reducing the fees and commissions charged at different stages of collection and distribution, proposes to effect a lowering of prices and facilitation of distribution. The plan may be summarized as follows :

1. Control to be extended as far as feasible to delivery of the goods at the market.
2. Control to be applied to the price and distribution of the goods at the wholesale and retail markets, by middlemen and retail merchants.
   (a) Sales by wholesale dealers at the wholesale market shall be made not by auction, as heretofore, but by a more suitable method. With regard to goods on consignment, proper measures will be taken when deemed necessary to check any undesirable rise in prices.
   (b) Commissions on sales charged by wholesales dealers at wholesale market to be reduced.
   (c) Charges for delivery of goods to the wholesale market and for carriage of goods in the market to be lowered.
   (d) Purchases of goods at the place of origin by wholesale dealers of wholesale markets to be restricted as far as possible.
   (e) Maximum commission to be fixed for the sale of goods through middlemen at wholesale markets.
   (f) Middlemen at wholesale markets to specialize in certain lines of goods.
   (g) Storekeepers at retail markets and retail merchants in general to be notified of standard prices day by day, which prices they are required to observe.
   (h) Rationalization of management of retail markets.
   (i) Extension and generalization of retail markets to be encouraged.
3. The establishment of plants to ensure production should parallel the facilitating of supplies of materials for production.
4. Transportation of goods to be facilitated and freight charges to be lowered.

5. Full study to be made of economy in consumption.

In view of the urgency of the various problems concerning perishable foodstuffs, the competent authorities on August 16 held a conference with the parties concerned at the Central Wholesale Market and decided on matters relating to the control of the distribution and prices of such foodstuffs.

Materialization of Provisional Control Measures

The main points of the provisional control measures are given below:

1. *Improvement in sales methods of wholesale dealers:* While hitherto regulations of central wholesale markets recognized sales by auction alone, sales at fixed prices or by tender being permissible only on special occasions, the present reform measures call for sales at fixed prices or by tender in regard to stated commodities.

It may be conceded that the bidding method has its merits, especially when large quantities of perishable foodstuffs have to be disposed of in a short time. Under the old system, however, the recognition of sales by tender or at fixed prices has been arbitary or, in other words, the articles sold at fixed prices at one place are sometimes sold by bidding at another. Furthermore, from the point of view of price-fixing the bidding method of selling has an element of uncertainty and the fact that it is used promiscuously even in cases of articles which readily admit of sales at fixed prices and of which the cost is plainly known is anything but desirable. To remedy this, it has been decided that sales at fixed prices be made the rule in regard to goods which are comparatively preservable and of which prices are more or less well standardized, such as fish and shellfish in cold-storage, salted or dried; apples and onions. Articles the prices of which are less standardized, such as ordinary fruits, are to be sold by tender, the rest being disposed of through bidding. At the same time, it was decided that the auctioneers be commissioned by the respective municipalities so as to ensure impartial price-fixing.

2. *Reduction of wholesale dealers' sales commissions:* Hitherto it has been the practice of wholesale dealers to charge the producers or shippers of the goods a 10 per cent commission on the proceeds of the foodstuffs entrusted to them. Out of this 10 per cent commission, the wholesale dealers would refund 0.6—0.8 per cent to the producers or shippers by way of encouragement and 2.5—3.0 per cent to the middlemen or purchasers at the place of origin of the goods as fees. In addition, a sum corresponding to 0.8 per cent of

the proceeds was paid to the market, thus leaving a net receipt of 5.5—6.5 per cent. A reduction in the wholesale dealers' commission is an important point in the reform measure and under the new system payment by the wholesale dealers of the said "encouragement" money and fees to middlemen or purchasers will be discontinued, while payment for the use of the market will be reduced. By this means, their net receipts will be fixed at 5 per cent, which, together with 1 per cent to be contributed to the market for carrying on the work of maintaining low commodity prices, allows a maximum commission of 6 per cent. It is hoped that this reduction in commission will indirectly help to lower commodity prices.

3. Specialization of Middlemen: The work of the middlemen consists of purchasing foodstuffs from wholesale dealers and selling them to purchasers and, as such, they play an important part as an intermediary organ in price-fixing and in the distribution of goods. However, in cases where the same store sends several middlemen to a wholesale market, the purpose of price-fixing is obviously defeated. The present reform proposes that each middleman shall handle only a certain line of goods. Although it is advisable not to make too minute a classification, in the case of fish, for example, it is quite possible to make several divisions, such as for live fish, large-sized and freshwater fish and shell-fish, and cold-storaged fish and shell-fish. Likewise, in the case of fruit and vegetables, these may be classified into vegetables, hot-house products and fruit. Such a classification will enable the middlemen to acquire expert knowledge of the goods they handle. There will thus be less danger of any irresponsible price-fixing. Side by side with this specialization by middlemen, will be introduced a readjustment of the places of sale in wholesale markets, while the practice mentioned above of a store sending several middlemen to a market will be discontinued.

4. Standardization of Prices: While official prices have already been fixed for some perishable foodstuffs, the new method will help to standardize all wholesale and retail prices, besides regulating middlemen's commissions.

Wholesale prices of articles to be sold at fixed prices will be determined by the prefectural governor, while maximum prices will be fixed by him for articles in popular demand, which are to be sold by tender or auction. The governor will also regulate retail prices for goods sold to the masses, but, in so doing, he will first consult with the parties concerned, in accordance with which the price-fixing committee, appointed by the governor, will set prices for each day. The prices so arrived at will forthwith be made public for the guidance of buyers, and a system of inspection will be

inaugurated to ensure that the retail prices are strictly observed.

Middlemen's commissions will also be controlled along with the wholesale and retail prices. Heretofore, it has been the practice for middlemen to charge a higher commission on the same goods to make up for losses on others. Such a procedure is manifestly harmful, especially when prices are tending upwards, and has in fact been responsible to no small extent for the present high prices of perishable foodstuffs. Under the new system middlemen's commissions are to be definitely fixed according to the special line of goods handled, but, pending final arrangements, a maximum commission of 10 per cent will be allowed.

The above is a brief explanation of the new system for the control of wholesale markets for perishable foodstuffs. It is contemplated that the plan will first be applied in the larger cities having central wholesale markets, such as Tokyo, Osaka, Kyoto, Kobe, Yokohama and Nagoya, after which it will be extended to other cities having district wholesale markets.

RESULTS OF THE NEW METHOD OF TEST FOR ADMISSION INTO SECONDARY SCHOOLS

DEPARTMENT OF EDUCATION

REFERENCE is made to an article in the December, 1939, issue of the TOKYO GAZETTE, outlining the principal aims and general scheme of the new method of selecting candidates for secondary schools, adopted during the current school year. It was stated in the article that the Department of Education had decided upon the adoption of a new method of entrance test in view of the proposed national school system which is to be enforced in the 1941–42 school year; and that by this new method it hoped to eradicate the existing evils and hindrances to national education attributed to the old entrance examination system.

Accordingly, the Department of Education took steps to promote the effective operation of the new method of selection. After instructing the local governments, on September 28, 1939, to adopt the new method, the Department of Education expounded the principles and methods of the new form of examination to the public through various publications and radio broadcasts. Toward the end of November school-inspectors were dispatched to the six big cities and other districts to explain the proposed system of examination. Further, in February this year officials concerned were sent to the same cities and districts to inspect the working of the new system, and again at the end of April to investigate actual conditions after the test was over. The educational authorities also listened to reports of prefectural governors and chiefs of prefectural educational bureaus at their conferences held at the beginning of the year, while secondary school principals and elementary schoolmasters in certain prefectures were invited to the Department of Education to report on the actual results of the new test system. The Department also requested all prefectural governments to submit detailed reports on the test. An accurate account of the results of the new system cannot be obtained until all data have been collected and examined; but, on the whole, it may be said that, although the new method of selection is a radical departure from the old entrance examination system, the prefectural governments as well as the elementary and secondary schools carefully studied the fundamental principles of the new method, and

endeavoured to put it into operation.

Effects of the New Method

Despite the fact that the new method is still in the first year of its application and those concerned have not yet become fully accustomed to it, the results, as enumerated below, have been fairly satisfactory.

(1) School children have become healthier and more cheerful. The burden of excessive preparatory training for entrance examination having been lightened, the children who gathered at the places of test appeared more cheerful, while physical examinations showed a marked decrease in decayed teeth, nearsightedness and trachoma, and an improvement in physical strength.

(2) Primary education restored to its proper function.

In elementary schools where undue stress was apt to be placed on such studies as reading and arithmetic, equal attention is now being given to all subjects of instruction, and also to moral discipline and physical training.

(3) Numbers of applicants for different secondary schools have become comparatively equal.

Hitherto the number of applicants to certain secondary schools were disproportionally large. The new method of selecting candidates has reduced this inequality, so that excessively keen competition has disappeared.

(4) Closer contacts between elementary and secondary schools.

Since, in the new method of selection, importance is attached to the report of the elementary schoolmaster and to the results of character tests at the secondary schools, these schools have come into closer contact with each other.

(5) Elementary schools which devoted themselves exclusively to preparatory training for entrance examinations, and also preparatory institutions holding trial examinations or coaching boys and girls for successful entrance into secondary schools have ceased to exist.

(6) One of the main objectives of the new method is to increase the capacity of admission into secondary schools. In this respect the prefectural governments have formed plans for the establishment of 122 new secondary institutions and for increases in enrolments in 330 existing schools during the current school year.

Among the favourable effects of the new method, mention may be made of the improved manners of the school children, a fuller appraisal of the character of the candidates, and the increasing

number of candidates from provincial and agricultural districts. In short, all the aforementioned results were what the educational authorities had in view, and their main object of improving the method of examination for admission into secondary schools may be said to have been partially achieved.

Points in Question

The new method of selection cannot of course be said to be perfect. After the selection of candidates for the new school year had been made according to the new method, the school authorities concerned, the parents of the candidates or their guardians, and the general public pointed out various questions which require serious consideration. The following are some of the more important of them. It is incumbent upon both the Government and school authorities to devise measures to remedy such drawbacks.

(*1*) *Uneasiness and misgivings on the part of parents*

Under the new method of selecting candidates by the three types of appraisal, i.e. elementary schoolmaster's report on scholarship, oral character test, and physical examination, it is difficult for parents to foresee the outcome of the tests, and in the event of their children's failure, the parents find it difficult to resign themselves to the decision of the examiners in the absence of tangible reasons. This causes misgivings and a feeling of uneasiness on the part of parents.

(*2*) *Favouritism and outside influences*

Some doubt the exercise of fairness in drafting reports on scholarship for deciding the eligibility of the applicant for entrance, and fear favouritism and outside influences. All this tends to weaken trust in the new method.

(*3*) *Embellishment of reports on scholarship*

The elementary schoolmaster's reports on scholarship are apt to be embellished and exaggerated, so that they fail to convey facts accurately, and it is difficult to differentiate between one pupil and another.

(*4*) *Competition in scholarship grading*

The class standing of each boy or girl is given in most reports on scholarship. This may give rise to keen competition in scholarship grading, causing some evil, even if not as serious as the prac-

tice of excessive preparatory training for entrance examinations.

(5) *Disregard of difference between schools*

The instructions of the Department of Education that in selecting candidates for secondary schools, all elementary schools should be considered on an equal basis, ignores the difference that really exists between elementary schools in cities and in rural districts, and between those in the centre of a city and those in its outskirts. This is not as it should be.

(6) *Difficulty in oral character test*

The time allotted for the character test of each candidate is very limited and the types of questions are apt to be stereotyped. It is therefore difficult to judge fairly, and may give rise to a new practice of preparatory training for such tests.

(7) *Unsuccessful candidates*

Under the new system of selection the position of the unsuccessful applicants is more disadvantageous than it had been under the old system. No bright career is open to them, and the lot of those who have been rejected because of poor health is especially unhappy.

The above views and contentions may for the most part be attributed to the failure to grasp properly the main objectives of the new method, to omissions in its operation, to a feeling of unfamiliarity with the new system, and so forth. It may be natural for such arguments to occur when a radical change is first introduced. Many are perhaps anxious to know whether the new method of selecting candidates will continue to be used after next year.

The Department of Education is now investigating the matter based on various data obtained, but it is not yet in a position to issue detailed instructions concerning the operation of the new method next year. One thing, however, is certain; and that is that the old system of entrance examination will not be revived. Since the new method was adopted in close connection with the national school system, the principal aim of which is to give the rising generation a more thorough basic training as Japanese subjects, it should by no means be discontinued. It has shown favourable results as has been stated, and even those points set forth as drawbacks, will, upon closer examination, be found to offer no valid reason why the basic principles of the new system should undergo any radical change.

NORTH CHINA: ITS POSITION AND INTERNAL CONDITIONS

CABINET INFORMATION BUREAU

SINCE the establishment of the new Central Government at Nanking, the importance of North China has been felt all the more keenly. What is the reason for this renewed interest in North China? The answer is that the policies followed in North China, a region inseparably bound up with Japan and Manchoukuo in so many respects, and the policies of the new Central Government, which has become the legitimate government for all China, must agree in complete harmony. No inconsistency or conflict of interest can be allowed to exist between the policy of effectively developing the real worth of North China and that of consolidating the Central Government and extending its influence.

The outstanding characteristic of North China is that its geographical position constitutes a zone of vital importance to the national defence and economy of Japan and Manchoukuo.

Strange as it may seem there is no fixed geographical concept regarding North China. For example, there are people who consider that North China consists of the five provinces of Hopei, Shantung, Chahar, Suiyuan and Shansi, while others hold that it is made up of the three provinces of Hopei, Shantung and Shansi or the region which was formerly under the jurisdiction of the Provisional Government at Peking and now under that of the North China Political Council. The latter conception, it will be noticed, excludes the two provinces of Suiyuan and Chahar from the so-called five provinces of North China, and northern Shansi, which together with the two provinces previously mentioned, form the region under the administration of the Federated Autonomous Government of Mongolia. There is yet another notion of what North China comprises and that is that it includes the six provinces of Shantung, Hopei, Honan, Shansi, Shensi and Kansu—the region lying north of the mountain ranges of Chinling, Taipashan, Fushowshan and Hiungshen and the old Yellow River.

Such are the divergences of opinion regarding the geographical delineation of North China. Be that as it may, there can be no two opinions regarding the fundamental fact that North China constitutes

the first line of defence for Japan, for that region has close geographical ties with Manchoukuo, Chosen, and Japan Proper which lie contiguous to or across a narrow sea from North China.

A glance at the map will show what countries border North China and Mongolia in other directions. In the north the great territory of communist Outer Mongoria lies menacingly along the whole length of Mongolia, which, therefore, forms a natural anti-Comintern barrier. In the northwest, also, Outer Mongolia lies juxtaposed with the completely bolshevized Hsinkiang Province through the provinces of Shansi, Shensi and Kansu. This chain of territory is at present most important from the Communists' point of view and is popularly called the " blood transfusion " line which renders possible the Comintern's infiltration and machinations in China.

At Yenan in the northern part of Shensi, which is an important strategic point on the Outer Mongolia-Hsinkiang Red Route, there is the communist District Government of Shensi, Kansu and Ningpa. The city constitutes the strategic headquarters of the Chinese Communists for their multifarious activities. It is here that the dangerous waves of anti-Japanism and bolshevization originate. Herein lies one of the most vital and pressing problems, in the light of which Japan must regulate her relations with North China.

Communist Armies in North China and Anti-Communist Measures

From the direction of the Red district in north Shensi Province above referred to, the Chinese Communist armies with three divisions of regulars encroached upon Wutaishan, a Buddhist sanctuary in northeastern Shansi. As early as the spring of 1938 they acquired bases in North China and established a Red government, to which they gave the high-sounding name of the Government of the District of Shansi, Chahar and Hopei. But in fact it is neither a government nor a régime, being nothing more than a den of bandits surreptitiously organized for fear of being suppressed by Japanese punitive forces. Externally it is utterly unimpressive, but the depth of its foundation and the influence it wields can by no means be ignored.

Moving stealthily between intervals of Japanese punitive expeditions, the Communist armies in North China resorted to partizan tactics, appearing and vanishing with superb elusiveness. In this manner they have gradually extended their influence into various

parts of North China. Having infiltrated into the northern parts of Hopei and Shansi, south Hopei and western Shantung, they have carried on their nefarious propaganda and agitation among the ignorant masses in the interior districts, while simultaneously engaging in special political activities. And in their attempts to win over the people and organize them in communistic fashion, the Communist armies have shown a remarkable doggedness of purpose.

As regards the fighting power of the Communist armies, even the Communist regulars who are reputed to be the flower of their forces can in no way be compared with the invincibility of the Japanese army. The Japanese forces, while struggling against heavy odds arising from topographical conditions, climate, food supplies and transportation, have indefatigably carried on their punitive campaigns against the Red armies. As a result the strength of the Communist forces has greatly diminished. But there is no doubt that the most effective weapon which the Communists can wield is their political and ideological agitation as well as economic cajolery among the masses, of whose ignorance and destitution they skilfully take advantage, rather than sheer force of arms. That they have achieved a certain measure of success by these tactics must be frankly admitted.

In this respect the Communist armies are far superior to the old Kuomintang armies which are fast disintegrating. As a matter of fact, the power of the two anti-Japanese forces, namely, the Communist and the old Kuomintang Parties, is on the whole fast crumbling before the onslaught of the Japanese armies. But when these two anti-Japanese armies are compared with each other, the Communist armies are far more vigorous in morale, so much so that the baneful influence exerted by them as the central motive force of anti-Japanism is one that cannot be underestimated.

The Communist Party and the Communist Army are two aspects of a dual organization under a single unified control. It is this peculiar organization that engenders the powerful virus of present-day anti-Japanism. It was these Communists who started the current hostilities between China and Japan; they are the ones who, under instructions from the Comintern, are causing the China Affair to drag on and are still resorting to every means in their power to obstruct the movement for peace and the national salvation of China.

Because of this the Japanese forces regard the Communist armies as their arch-enemy, for whose extermination they have endured much sacrifice in blood and labour. In this campaign of suppressing the Communist forces and restoring order the Japanese have achieved brilliant successes. That all the Chinese régimes friendly

to Japan, from the Provisional Government at Peking to the new Central Government at Nanking under Mr. Wang Chiug-wei, have taken up the anti-Comintern standard as the guiding pinciple of national reconstruction is also due to such machinations on the part of the Communists. Furthermore, the fact that North China constitutes the most important zone for combatting and extinguishing the power and influence of the Comintern for the safety of East Asia is recognized not only in North China itself, but also in Tokyo and Nanking, proves the stark reality of the Communist menace. Through the establishment of the Hsinmin Hwei as the largest people's organization in North China, the character of which is a civilian counterpart of the Northern China Political Council, and its amalgamation with Pacification Service of the Japanese army, and through the unification of ideological activities, the authorities concerned have been striving to bring about stability and security to the people of North China. This reflects concretely the attitude of the authorities and people of North China toward the Communist encroachment.

In view of the shrewdness of the Communist Party in winning over the people, the mission of the Hsinmin Hwei, which was founded to counteract the menacing activities of the Red elements, must be regarded as very important. When all these circumstances are considered, it will be clear why North China has discarded the Three Principles of the People, including anti-Japanism, pro-Communism and the democratic ideas of the Kuomintang, though these have recently been replaced by the Hsinmin Chui and Hsinmin Hwei which embody the principles of *Wang Tao*, or the Kingly Way.

Economic Conditions in North China

Another important feature of North China, besides that of defence, is the economic tie that firmly binds this region to Japan and Manchoukuo. The economic relations which Japan and Manchoukuo maintain with North China are closer and hence stronger than that which exist with China as a whole. As already explained, the two countries are not only strongly entrenched in the defence of North China, but they are vitally interested in the development of the resources as well as the trade and commerce of North China. If it were asked what really constitutes the basic policy in the reconstruction of North China, the answer would be that it is imperative to establish as soon as possible a comprehensive national defence system and economy common to Japan, Manchoukuo and North China through their close coordination, and to sub-

stantiate the avowed purpose of national salvation through the exclusion of Communist influence. It is also necessary to establish peace by rehabilitation, and promote the prosperity of the economic life of North China itself by meeting the needs of the people through such organic combination of the three countries and thereby enable the inhabitants of North China to reap the fruits of peace.

In pursuance of this policy Japan established a national-policy corporation, the North China Development Company, having many subsidiary concerns with joint Japanese-Chinese capital investment and has been developing important natural resources such as coal, iron and salt. As an organ of economic control in North China the Japan-China Economic Council was established as a permanent organization, while the North China Liaison Office of the China Affairs Board, with the support and cooperation of the Japanese Army, is now offering positive guidance in the economic affairs of this region.

When economic relations between Japan, Manchoukuo and North China are viewed in terms of trade, it is found that, whereas in the exports from North China the proportion held by Japan and Manchoukuo in 1936, the year before the outbreak of the current China Affair, was 36 per cent, it increased to 41 per cent in 1939, and in imports the proportion was 48 per cent in 1936, but there was an upswing to 62 per cent in 1939.

The most remarkable feature of North of China's recent foreign trade is that it struck a balance between exports and imports maintained with countries other than Japan and Manchoukuo. As regards North China's trade with Japan, although it was formerly a special market for goods produced in Japan, it has now come to occupy an important place as an exporter to Japan of large quantities of such production materials as coal.

Major Problems of Today

There is still another important factor which attests to the close economic relationship between Japan, Manchoukuo and North China. It is the equalization of the par value of the Federal Reserve Bank notes, the only currency in circulation in North China, to the notes of the Bank of Japan. This system has equalized the Yuan and the Yen, a fact which demonstrates the interdependence of the two countries in the realm of economic affairs.

There are, however, various difficulties confronting the economic progress of North China, such as the development of resources, interchange of materials and goods as well as general trade and the

circulation of currency. Strenuous efforts are, therefore, being made to overcome these obstacles and achieve the desired result. Such difficulties are, when considered from the broad point of view, those which arise primarily from the very trend of the times, when North China stands at a great historic and epochal turning-point with its administration, peace and order as well as its economic life thrown into a maelstrom of change from the old order to the new affecting all phases of national existence.

To illustrate, Powers such as Great Britain, the United States and France, who formerly played important rôles in the development of the resources and foreign trade of North China, now either overtly or covertly oppose or refuse to extend cooperation to North China in its transition. Besides, the fact cannot be ignored that various anti-Japanese elements, manœuvring with the Communist armies as their pivotal force, are obstructing the economic construction of North China whenever opportunity offers. The various difficulties which more or less impede the economic development of North China, viz., the development of natural resources, completion of the system of communications and transportation, the supply of provisions and other goods, the adjustment of commodity prices and the stablilization of currency, are each partly due to special circumstances in its field, but as a whole they must be considered as inherent difficulties or inevitable concomitants during a period of transition.

As regards commodity prices in North China, the prices at Peking recently increased to as much as 380 per cent compared with the index number of average wholesale prices in 1936. Various organizations on the spot, therefore, are taking every possible step to ameliorate the situation by increasing the import of foodstuffs and other goods not only from Japan but from other countries as well. As a result, conditions have greatly improved, with the prices of food and other articles under proper control and the arrival of commodities in the markets becoming more abundant. The uneasiness which prevailed in February and March this year was thus dispelled completely. With a view to forestalling the recurrence of such disrupting influences in the people's economic life, the authorities on the spot have devised plans for the adjustment of the supply and demand of necessary goods.

Similar measures have been taken in connection with goods other than food. But the most noteworthy measure, of which much is expected, is the rational establishment of organs for the exchange of goods, for which the Liaison Office of the China Affairs Board is now speedily formulating a plan. It is planned to organize separate

association for the importation of different kinds of important articles and thus rationalize the importation of goods from Japan, where low prices prevail, into North China, where prices are comparatively high.

In order to strengthen the Federal Reserve Bank notes and to lower commodity prices to a fixed level, the number of travellers to North China from Japan and Manchoukuo has been drastically cut, the indiscriminate issuance of Federal Reserve Bank notes controlled and new enterprises which are not urgently required restricted, thereby hastening the withdrawal of these notes from circulation. These measures, reinforced by others dealing with the old legal tender, or the *fapi*, are expected to bring about the desired results in the near future.

Aside from the measures above mentioned, a definite policy has recently been established, under which those who ignore the importance of the national defence and economic construction of North China and attempt to disturb the economic and financial stability in any way, regardless of whether they are Japanese or Chinese, will suffer severe penalties. The Japanese military authorities in China have warned all Japanese now in China, urging them to maintain a serious attitude befitting a nation at war and announcing that those who fail to appreciate the real meaning of the sacred campaign for the renaissance of Asia and conduct themselves in violation of the national policy, will be drastically dealt with. Moreover, on June 11, disciplinary proclamations were issued in the names of the General Headquarters of the Japanese Expeditionary Army in China and the Supreme Command of the Japanese Naval Forces in China Waters, which emphasized the importance of strict maintenance of military discipline for the purpose of successfully concluding the China Affair. In such ways as these the Japanese authorities are devoting their best efforts for the establishment of peace and order, not only in North China, but throughout the areas under their control.

THE TRADERS' PATRIOTIC MOVEMENT

DEPARTMENT OF COMMERCE AND INDUSTRY

A MOVEMENT for promoting service to the State through commerce is fast giving concrete results in the organization of associations for the purpose in various parts of the country. In fact, many of these associations are already actively engaged in the furtherance of the traders' patriotic movement which aims at mobilizing all commercial activities for perfecting the new national structure for total war. In view of the important rôle that commerce plays both in war and in the long-term construction that is taking place on the Asiatic Continent, it is incumbent on all those who are engaged in that type of occupational activity to give more tangible proofs of their willingness to render service to the State through their daily commercial transactions. Thus has been called into being the countrywide drive for the promotion of associations for service to the State through Commerce.

Main Features of the Movement

This patriotic movement among traders, as has been stated, has its inception in the ideal of service to the State called for by the current situation and is due to the ardent desire on the part of the commercial element of the nation to renovate their ways of living. It is proper therefore that the fostering of the movement should be left to the initiative of the interests directly concerned under the guidance of the authorities.

Ultimate purpose of the movement, as indicated in the programme of activities, is to contribute to the prosperity of the nation. For the attainment of this end it is essential that the old idea of commerce be discarded and a new order be set up in commerce through a close and extensive organization of traders under the new ideals. The guiding principles of the movement are :

1. To awaken in those engaged in commerce the realization of the importance of their duty to the State and lead them as an earnest of the sincerity of their purpose to contribute by all the means in their power to the prosperity of the country.
2. To promote the ideals of service for the public good rather than for individual profit through the adoption of new ethical principles in all commercial relations.

3. To attain the establishment of the new order in commerce through the concerted efforts of those concerned while allowing to each the means of fulfilling the task assigned to him.

Organization of the Movement

As the executive organ for the promotion of this movement, there will be set up in each district an association for service to the State through commerce to which all persons having commercial affiliations whether as employers or as employees are to belong.

These associations will have for nucleus the traders' associations already existing. Where no such traders' associations are in existence, any other organized bodies of traders will serve the purpose. Again, these associations may be organized regionally if such a step prove more convenient, the essential point in any case being that the organization be best suited for the practice of the principles of the movement.

Furthermore, the fact must not be lost sight of that young trading people, holding as they do the real Key to the country's future commercial development, are to be considered an indispensable asset to the movement. There will accordingly be provided in each association a young men's division to facilitate the mobilization and organization of the younger element engaged in commerce; particular care should be used in their guidance and to inculcate in them the spirit of discipline.

The associations in each prefecture will form the prefectural federation, which will keep in close touch with the member associations, to ensure the successful propagation of the movement through a united front. The prefectural federations will again group themselves under the Central Federation of Associations for Service to the State through Commerce, which, as the supreme executive organ of the new movement, will take upon itself the task of harmonizing and unifying the activities of associations throughout the country in cooperation with the competent authorities and the headquarters of the National Spiritual Mobilization Movement.

Programme of Activities

Activities of the movement are to be centred in the realization of the following objectives:

1. The establishment of a new commercial ethics;
2. The construction of a new order in commerce by a renovation of its functions;

3. The thoroughgoing observance of the control measures ;
4. The education of those concerned with commerce in the new principles and the reforming of their daily lives ;
5. The guidance of the young people engaged in commercial activities.

In the carrying out of this programme, it is desirable that all efforts be directed to practical ends in keeping with the conditions prevailing in Japanese economy. Of those objectives enumerated above the ones which best lend themselves to practice should be first taken up. To the prefectural and the central federations will be left the task of seeing that this policy is strictly observed.

Promotion of the Movement

Promotional activities of the movement begin with the conferences to be held in each prefecture between the prefectural authorities, the local members of the central federation and the representatives of other bodies of traders. At these conferences the nature and objectives of the movement will be explained and the executive organizations formed to undertake the promotional work. By means of lectures the aims of the movement will be made known to the people at large, who will be invited to give their support to the movement.

The first of such conferences was held for the northeastern districts at Sendai on June 17, followed by one for the Hokkaido districts at Sapporo on June 20. The latter in particular was a brilliant success. In this manner, the associations for service to the State through commerce and their prefectural federations are being formed in various parts of the country, to be followed by the organization of the National Federation. Pending the establishment of a central federation, the conferences and public meetings will be held under the auspices of the Central Council of the Traders' Associations, which will temporarily supervise the new movement.

Meanwhile it devolves upon both young and old, concerned in any way with commercial activities, to unite themselves in service to the State by joining in the movement to bring about a new economic order which will reflect itself in the greater well-being of the State.

CHAPTER VI

Reinvestigation, Petition and Administration Litigation

ARTICLE 67

If a person liable to pay taxes objects to the amount of income as notified by the Government on the basis of the provisions of Article 39, he may, within twenty days of receipt of such notification, apply to the Government for reinvestigation, stating the reasons for his objection.

Even if an application has been made, as referred to in the preceding paragraph, the collection of taxes shall not be deferred by the Government.

ARTICLE 68

When an application, as referred to in Paragraph 1 of the preceding article, has been made, the matter shall be decided by the Government in accordance with the resolution of the Income Reinvestigation Committee.

The Income Reinvestigation Committee may question the applicant, as referred to in Paragraph 1 of the preceding article, in regard to facts concerning his income.

The provisions of Article 38 shall apply with necessary modifications in respect of the resolution of the Income Reinvestigation Committee.

ARTICLE 69

An Income Reinvestigation Committee shall be set up within the jurisdiction of each taxation superintendence bureau.

The Income Reinvestigation Committee shall consist of the following members:

1. Three persons appointed by the Minister of Finance from among senior officials of the taxation superintendence bureau;
2. One person for each prefecture and four persons for the Hokkaido, who are elected by members of the Income Investigation Committee from among themselves in each prefecture or the Hokkaido within the jurisdiction of the taxation superintendence bureau.

Matters pertaining to the Income Reinvestigation Committee, its members and reserve members other than those which are provided for in the present law, shall be prescribed by Ordinance.

ARTICLE 70

Members of an Income Reinvestigation Committee who have been elected from among members of the Income Investigation Committee shall be entitled to daily allowances and travelling expenses.

ARTICLE 71

If a person objects to the decision, as referred to in Paragraph 1 of Article 68, he may file a petition with the Government, or institute a law suit at the Court of Administrative Litigation.

CHAPTER VII

Collection

ARTICLE 72

Classified income tax on Class A incomes from dividends and interest, Class A earned incomes or Class A retirement incomes shall be collected at the time of payment and the payer shall pay it to the Government by the 10th of the following month.

ARTICLE 73

The annual amount of classified income tax on real property incomes, Class B incomes from dividends and interest, business incomes, incomes from forests, Class B earned incomes and the annual amount of composite income tax on the gross income of individuals shall be divided into four parts and collected during the four periods mentioned below; but if a peron liable to pay taxes ceases to have domicile or place of residence within the area where the present law is in force, without giving notice of an agent to take charge of payment of his taxes, the income tax payable by him may be collected immediately:

First period: From July 1 to July 31 of the year concerned;
Second period: From September 1 to September 30 of the year concerned;
Third period: From November 1 to November 30 of the year concerned;

Fourth period: From February 1 to the last day of February of the following year.

ARTICLE 74

If the classified income tax to be collected in accordance with the provision of Article 72 fails to be collected, or if the tax so collected fails to be paid to the Government, the same shall be collected from the payer in a manner similar to that used in collecting national taxes.

If, in the case of the dissolution of a juridistic person, the remaining property has been distributed without paying the tax collectable in accordance with the provisions of the preceding paragraph, the liquidators shall be jointly and severally liable for payment of the said tax.

CHAPTER VIII

Miscellaneous Provisions

ARTICLE 75

When a person who is liable to pay taxes has suffered severe financial depletion on account of a disaster, unemployment or other circumstances and is deemed to have difficulty in paying taxes, the Government may reduce or remit income tax as provided by Ordinance.

ARTICLE 76

The Government may, in respect of income tax reducible or remissible in accordance with the provisions of the preceding article, defer the collection of taxes until a decision has been reached in regard to the reduction or remission.

ARTICLE 77

A person who has floated public bonds or corporation debentures which call for payment of interest within the area where the present law is in force (a person who has done the same by commission in the case of floatation by commission) shall without delay file with the Government a report containing particulars as specified by Ordinance in respect of the public bonds or corporation debentures.

ARTICLE 78

A person receiving payment of interest or dividends in respect

of uninscribed public bonds, corporation debentures or shares within the area where the present law is in force shall notify the person in charge of payment of the interest or dividends, of his full name or appellation, domicile and other necessary matters as prescribed by Ordinance.

The person in charge of payment of interest or dividends shall make payment thereof after causing the notification, as referred to in the preceding paragraph, to be made.

ARTICLE 79

A person who pays salaries, wages, annual allowances, compensation for expenses, annuities, pensions or bonuses or allowances of the nature of those which have been referred to shall file with the Government statements of payment as prescribed by Ordinance.

ARTICLE 80

Persons who are enumerated below shall present to the Government a statement of payments as prescribed by Ordinance :

1. Persons who pay salaries, wages, annual allowances, compensations for expenses, annuities, pensions or bonuses or allowances of the nature of those which have been referred to ;
2. Persons who pay interest on public bonds, corporation debentures or deposits or profits accruing from the joint-operation-trust ;
3. Juristic persons who pay dividends of profits or interest or make distributions of surplus funds.

A trustee of trusts other than the joint-operation-trust shall present a statement of accounts to the Government in respect of each trust as prescribed by Ordinance.

ARTICLE 81

The superintendent of the taxation office or his deputy may, if he deems it necessary from the standpoint of investigation, question persons liable, or who are deemed to be liable, to pay taxes ; or he may inspect books, documents and other articles pertaining to their business.

The superintendent of the taxation office or his deputy may, if he deems it necessary from the standpoint of investigation, question persons in charge of presenting statements of payment or statements of account, as referred to in Paragraphs 1 or 2 of the preceding article ; or he may inspect books, documents and other articles pertaining thereto.

ARTICLE 82

The superintendent of the taxation office or his deputy may, if he deems it necessary from the standpoint of investigation, question persons who are deemed to be liable to pay money or deliver goods to persons liable, or deemed to be liable, to pay taxes, or to persons who are deemed to be entitled to receive payment of money or delivery of goods from persons liable, or deemed to be liable, to pay taxes, in respect of the amount, quantity, and value of the same, and the date of payment, etc.

ARTICLE 83

The Government may, as prescribed by Ordinance, grant a subvention to a person who has collected classified income tax on Class A earned incomes in accordance with the provisions of Article 72, and to a person who has filed statements of payment or statements of account as referred to in Paragraph 1 or Paragraph 2 of Article 80.

ARTICLE 84

In the case of classified income tax on real property incomes, Class B incomes from dividends and interest, business incomes, Class B earned incomes, incomes from forests and Class B retirement incomes as well as composite income tax on the gross income of individuals, the place of domicile of the person liable to pay taxes or the place of residence of the said person in the absence of a place of domicile shall be the place for payment of taxes, provided, however, that a person who is outside the place of domicile pay to the Government income tax at the place of residence by reporting to that effect.

A person having neither a domicile nor a place of residence within the area where the present law is in force, shall determine the place for payment of taxes and notify the Government of the same. In the absence of such notification the Government shall designate a place for payment of taxes.

ARTICLE 85

When a person liable to pay taxes does not actually live at the place designated for payment of taxes, he shall appoint an agent for payment of taxes and to attend to the report of his income, and all matters pertaining to income tax, and file a report with the Government; the same shall hold good in the case where the domicile or place of residence is about to be removed to a place outside the area where the present law is in force.

ARTICLE 86

In cases where an act or the method of accounting of a family corporation is deemed to be aimed at the evasion of income tax in respect of the incomes of any shareholders or partners therein, or their relatives or employees or juristic persons who have investment relations therewith or any persons specially related to the same, the Government may calculate the amount of the incomes of such persons in accordance with its judgment.

A "family corporation" within the meaning of the preceding paragraph is a juristic person as provided for in Paragraph 3 of Article 17 of the Juristic Person Tax Law.

ARTICLE 87

The Hokkaido, prefectures, municipalities, towns, villages and other public bodies may not impose a surtax on the income tax.

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IMPERIAL RESCRIPT

To enhance justice on earth and make of the world one household is the great injunction, bequeathed by Our Imperial Ancestors and which We lay to heart day and night. In the stupendous crisis now confronting the world, it appears that endless will be the aggravation of war and confusion, and incalculable the disasters to be inflicted upon mankind. We fervently hope that the cessation of disturbances and the restoration of peace will be realized as swiftly as possible. Accordingly, We commanded Our Government to deliberate on the matter of mutual assistance and cooperation with the Governments of Germany and Italy which share in the views and aspirations of Our Empire. We are deeply gratified that a pact has been concluded between these three Powers.

The task of enabling each nation to find its proper place and all individuals to live in peace and security is indeed one of great magnitude, unparalleled in history. The goal lies still far distant. Ye, Our subjects, clarify evermore the concept of national polity; think deeply and look far; unite in heart and strength, and surmount the present emergency, to assist thereby in the promotion of the Imperial fortune coeval with heaven and earth.

September 27th, the fifteenth year of Showa (1940).

CONFRONTING THE CRISIS

—Broadcast on September 28, 1940—

PRINCE FUMIMARO KONOE, PRIME MINISTER

AT THIS momentous turning-point in world history, the Government, in obedience to the profound and boundless will of His Imperial Majesty, have decided to conclude a tripartite pact with Germany and Italy, and to energetically cooperate in the promotion of a lasting peace and the progress of the world. Keenly conscious of the grave responsibility which rests upon me as Prime Minister of Japan at this juncture, I take the liberty of calling upon you, my compatriots, for your unremitting exertions, laying bare the truth of the current situation.

Three years have elapsed since the outbreak of the China Affair, in the course of which Japan, under the august virtue of the Throne, has reaped results unprecedented in her history through the heroic devotion of the officers and men of her Combatant Services. Meanwhile, however, the manœuvres of certain Powers interested in this part of the world have rendered the nature of the conflict increasingly complex and made the reaching of a solution more difficult. In the last analysis, the Sino-Japanese conflict is an abnormal internecine war in East Asia, brought into existence under the heavy pressure of the old world order. The settlement of the Affair can be effected only by eradicating the inconsistencies underlying such a world order. Accordingly, while engaged in the settlement of the current hostilities in China, Japan has come to participate and play an important part in the high task of bringing about a new era in the world.

A close scrutiny of the actual conditions prevailing in East Asia and Europe will reveal the fact that Japan, Germany and Italy are continuing their common efforts to break down the old order in their respective spheres; Germany and Italy are engaged in the task of constructing a new order in Europe, while Japan is determined to establish a new order in Greater East Asia, based upon the inherent character of that region.

At the present phase of the world's development, it is impossible to anticipate the immediate perfection of the world structure organized as one unit. That the various nations and races of the world should mark out several spheres for mutual existence and common prosperity is inevitable, and that Japan in East Asia and Germany and Italy in

Europe should respectively assume leadership in their assigned spheres is equally inevitable from standpoints whether historical, geographical or economic. Wherever such an inevitable trend is thwarted, to my mind, there arises confusions, such as the outbreak of the second War in Europe and the strained international relations in the nature of quasi-war now obtaining in East Asia. Such being the case, it is also natural that Japan should cooperate with Germany and Italy and Germany and Italy with Japan, all the three countries assisting one another, even to the extent of giving effect to the present pact as a military alliance, should the circumstances arise. It may be well said therefore that Japan is confronted with the greatest crisis in her history. In this very hour, we must be fully prepared to meet the crisis with firm determination and resolutely to overcome it.

Through the China Affair, now lasting more than three years, Japan has sacrificed her brave and loyal officers and men, and consumed enormous financial and other economic resources. Nevertheless, under the current emergency, she must strive to the utmost degree for the expansion of productive power and the repletion of armaments while trying to meet her vast war-time consumption. The consequence is the severe restriction on the production of consumers' goods as well as the great pressure being brought to bear upon the people's livelihood.

To all my compatriots, in this connection, I cannot but pay tribute for the fortitude with which they are bearing the hardships imposed by the emergency conditions and for the stamina they have displayed under all circumstances and in complete unison. In view of the prevailing internal situation and of the strained international relations as well, the Government formed the conviction that the best way to cope with the current crisis, be it economic or military, lay in the conclusion of the Three-Power Pact.

In the face of the grave situation described, we are endeavouring to establish a new national structure calculated to enable every Japanese subject to assist the Throne in accordance with the principles upon which our Empire was founded. It is the practical application of the emergency national policy which will give life to and animate the spirit of the new structure. After all, the new structure will not be determined by any academic formula, but will attain its fullest development in the trials and tribulations through which the nation must pass in order to overcome the serious difficulties that confront it. Ahead of Japan lies a grave problem upon the solution of which hangs the destiny of the nation. We are going straight ahead, positive in our action, thereby seeking our way out to light. Indeed, we are fully prepared to meet any and every difficulty and obstacle. Japan

is now placed in a position where her one hundred million people should stand resolutely together as one—a position, I feel, where even the union of one hundred million souls might not be sufficient.

In a period of peace and tranquillity, a nation is liable to live a life of laxity and irresponsibility in all its phases. Nevertheless, once the country is threatened with a national crisis, the entire nation will band together to surmount it. No room is left then for sectionalism, dissensions, or untrammelled discussions. Personal comforts and living must be sacrificed willingly to the common welfare, personal renown and profits must likewise be jettisoned for the sake of the Throne and the country. The true character of the Japanese nation finds expression in the unfaltering, courageous service for the cause of the State on the part of all its members in time of emergency. It devolves, on the other hand, upon the emergency Cabinet to see to it that every member of the nation finds each his or her proper place while serving the State, with heart and soul to the best of his or her ability. What the new structure aims at is the perfection of a political system founded on the principle of the unity of Sovereign and subject, under which the will and ideas of those who govern will be made known to those who are governed for the guidance of the latter; and the will and ideas of those who are governed will be communicated to those who govern. In other words, the function of government is to see that the people are enabled to find each his proper place; the duty of each subject is to serve devotedly the Throne. This constitutes the essence of our national polity, which predicates loyalty as a supreme virtue existing between Sovereign and subjects, a loyalty that is conterminous with the mutual affection of father and son. Herein lies the key to the ideals of the new national structure.

In obedience to the Imperial Command, the Government have embarked upon positive measures for surmounting the national crisis, thereby establishing a safe and sound foreign policy and the new structure for assisting the Throne within the country. The Government expose truths to the people expecting in return their devotion to and sacrifices on behalf of the State. The Government will in turn strive assiduously and guarantee to the people the minimum requirements for living and the maximum degree of honour in all relations.

Under the emergency our State will allow no one to be pampered materially; nor shall any one be permitted to go hungry. The entire nation shall be united in its aspirations and in working out the national fortunes over the seas. I earnestly desire that you will respond, heart and soul, to the call of the hour.

NATIONAL MOVEMENT FOR ASSISTING THE THRONE

CABINET INFORMATION BUREAU

THE aims and objects of the new national structure have been clearly set forth by Prince Fumimaro Konoe, Prime Minister, in his address[1] delivered at the initial meeting of the Preparatory Committee of the new national movement, which was convened on August 28. In conformity with the spirit in which this historic task, the establishment of the new structure, has been embarked upon, the work of the Preparatory Committee has been successfully completed by the single-hearted devotion to, and united thinking on, this national cause on the part of the members who represented all sections and quarters of the nation.

Along with such a spirit of perfect unity, a fact to be particularly noted, was the part played by the ruling and decision of the Prime Minister in all matters taken up for deliberation in the committee meeting throughout its six sessions. There the system of decision by majority was altogether discarded; it was not the force of numbers that decided but the Prime Minister who ruled and announced his decisions after listening to the careful and thorough discussion of the members.

Thus the National Movement for Assisting the Throne came into being, on September 17, at the last session of the meeting of the Preparatory Committee which closed with these burning words of the Prime Minister:

> In the near future, the situation will become increasingly serious. There was a time when I considered the term "one hundred million Japanese to be of one mind" as a figurative expression; but today I am firmly convinced that nothing short of veritable oneness in the thinking of one hundred million compatriots is sufficient to meet the situation. So you gentlemen will collaborate, I request, in perfect unison. . . .

Basic Principle Governing the Movement

At the initial meeting of the Association for Assisting the Throne,

[1] See an article entitled "Concerning the New National Structure" in the October issue of TOKYO GAZETTE.

the central organ of the Movement, which was held on October 12, the Prime Minister as President of the Association made this significant pronouncement:

> With regard to the basic principles governing the National Movement for Assisting the Throne, I understand, serious discussions have been caused throughout the sessions of the Preparatory Committee meeting. The basic principle, however, can only be formulated, I am strongly convinced, as "The Practice of the Duty of Japanese Subjects to Assist the Throne." To pledge reverently to the Throne the practice of this duty is in itself the basic principle and the manifesto. If, therefore, I am called upon on this occasion to enunciate the basic principles or the manifesto, I must repeat that it is "To Practise the Duty of the Subjects to Assist the Throne"; to serve the Throne single-heartedly in our respective spheres of vocational activities and in our everyday lives is all in all. In view of these considerations I have determined not to publish today the basic principles or the manifesto. I mention this particularly to make clear the point in question.

With a view to further clarifying our thinking, however, on the nature and aims of the Movement so that an idea of what the possible programme for its activities may be, essential points in the Prime Minister's statements on the occasions of the two initial meetings previously referred to are elaborated in the following pages.

A New Order in Greater East Asia and in the World

The statement at the initial meeting of the Association begins with these words:

> Confronting veritably a momentous turning point, our nation must go straight ahead in the task of establishing a new order in greater East Asia and of launching, at the same time, upon the construction of a new world order by strengthening externally the ties of alliance with friendly nations and setting up internally the new national structure. . . .

To establish a new order in Greater East Asia, as enunciated here, forms really the nucleus of the activities for the construction of a new world order. It does not imply that the former task is to be undertaken first and then the latter; the construction of the new East Asiatic order furnishes an occasion for that of the new world order. It is a manifestation of the virile spirit of the Japanese people who are prepared to engage in the two stupendous tasks at the same time. This is shown clearly in the foreign policy em-

bodied in the conclusion of the Tripartite Pact between Japan, Germany and Italy.

The new world order, however, cannot be expected to be established today in terms of the entire world as one unit. What is meant here is the creation of living spheres, which is prompted, not by the old spirit of aggression, but by the new, higher spirit of co-existence and common prosperity. That various peoples and races in the world should form several spheres of co-existence and common prosperity by repudiating narrow individualistic principles and acting on broader and greater principles is an inevitable trend of world affairs. Thus the spheres of common prosperity such as East Asia, the American Continent, Europe and Soviet Russia will be formed. And it is an historical, geographical and economic necessity that Japan should assume leadership in the sphere of Greater East Asia. It is to extirpate the plutocratic world order under British and American control and to construct a living sphere where necessary defence materials and power resources can adequately be ensured. Briefly, Japan must set up the "Greater East Asiatic sphere of common prosperity," which includes the South Sea region as well as Japan, Manchoukuo and China. To this end she must collaborate with the nations destined to work together and be determined not be shirk friction with the old world order.

National Defence Structure

As to the national defence structure referred to in the Prime Minister's statements, a full explanation may be necessary. It can in no way be identified as the mere repletion of armaments. It stands for the organization of all the institutions, forces and resources with national defence as the centre and as its foundation; all phases of national life—politics, economy and culture, including even our daily lives—should be brought into a coordinated relationship with national defence and developed as a unitary entity. The foundation of defensive strength, needless to say, lies in the improvement of the stamina and physical strength of the nation and the cultivation of their virile spiritual life. The construction of the national defence State is accordingly no other than the full growth and improvement of the physical strength of the State. But how can this be effected? The answer is found in the Statement of the Prime Minister on August 28 referred to elsewhere, which points out the most essential condition in the establishment of the new national structure as the organization of the nation in such a manner as to enable all the Japanese people to fulfill their duty of assisting the Throne. It

is, according to Prince Konoe, an organization in which the people serve the State in their everyday life, a nation-wide structure in which economic and cultural spheres are organized vertically and yet all the component parts are brought horizontally into a co-ordinated unity. In short, it is the reorganization of all fields of national activity with the spirit of service to the State through the performance by each member of the nation of his or her appointed task. This spirit of public, functional service consists in the firm belief that the work one is engaged in is not one's own personal task but a part of the national task as a whole in which every Japanese participates. Consequently the keynote of the spirit of functional service lies in the change from the personal to the public attitude in all economic and industrial activities.

What, then, is meant by service to the State through the performance of one's task? It is not mere assiduity in one's own task, as it may ordinarily be understood. It signifies serving the State in one's vocation in obedience to the Imperial will. We have hitherto been apt to think that we live and pursue our occupations in order to make our fortunes larger and our lives more comfortable. Such a spirit of self-interest must be replaced by the spirit of service to the State. One must realize that one's every action contributes to enhancing national strength. It is not the mere fulfilment of one's duty but participation in national activity through the performance of one's task. It should always be considered how the task one is doing or going to undertake can be made of use to the State. From great industrialists to ordinary workmen, all must think of their task in terms of the State and find delight therein. They must not merely consider how to earn a living and make money, but realize that by working they support their families and help forward the development of national industry and the State; that every lump of coal they mine makes the nation so much the stronger; and that every enterprise conducted on a large scale can increase the armed strength of the nation. Merchants, too, should carry on their business in the new spirit. Hitherto the primary object of commerce was to make profit, which only indirectly resulted in benefiting the public and the State. Under the new structure this relation should be reversed. The fundamental idea of business men should be that they serve the country by carrying on business so as to promote the public good and by doing so they can secure their livelihood.

Spiritually, the proposed organization of the nation aims at bringing the people's minds together in the direction in which the State is advancing, while economically it is the transformation of the liberalis-

tic, profit-making management into one essentially functional, or in other words, one for the sake of the public good. Just how the nation is to be organized is left in the hands of the Association for Assisting the Throne, whose nature and function will be described later. But, on the whole, the general scheme of the national organization will be divided into two parts, functional and regional. In his statement of August 28, the Prime Minister explained that the organization of the nation should be such that the people should serve the State in their everyday life, and must therefore embrace the economic and cultural spheres; and that there must be a solid nation-wide structure in which each component part would be organized vertically and yet would work on a horizontal plane. In brief, the nation must be organized in such a way that the total strength of the State can be brought into fully play. It may be said that the organization itself is not the end, but a means, and the whole nation should take such a mental attitude.

The new national structure, therefore, must begin with a new structure set up in the heart and mind of each subject, and the necessary condition of this national-structure movement consists in spiritual preparation. When such solid mental groundwork is constituted, the total strength of the nation will be given full scope. When perfect functional and regional organizations are formed, the will and ideas of the governing and the governed can be mutually appreciated. "What the new structure aims at," as expressed by the Prime Minister, "is essentially the perfection of a political system founded on the principle of the unity of Sovereign and subject, under which the will and ideas of those who govern will be made known to those who are governed for the guidance of the latter; and the will and ideas of those who are governed will be communicated to those who govern. In other words, the function of government is to see that the people are enabled to find each his proper place; the duty of each subject is to serve devotedly the Throne. This constitutes the essence of our national polity, which predicates loyalty as a supreme virtue existing between Sovereign and subjects, a loyalty that is conterminous with the mutual affection of father and son. Herein lies the key to the ideals of the new national structure."

Association for Assisting the Throne

Such an organization of the nation as has been described can in no wise be accomplished in a short space of time. As a matter of fact, in order to organize the nation in all the phases of politics, economy

and culture, renovation in the way of thinking or mental attitude must come first. This is certainly a stupendous task, and it calls for a national movement arising from among the people. The National Movement for Assisting the Throne is in reality just such a movement, in which all of those who are born in this country should participate. A national movement, particularly such as the one under review, should essentially be spontaneous in character. Although the rising tide of such a spontaneous movement is noticeable in many parts of the country, in the situation prevailing in Japan today undirected movements cannot be allowed to develop freely; nor can the people be left unorganized indefinitely. Herein lies the necessity for the Government to take positive steps for the promotion and direction of such a national movement. The Association for Assisting the Throne, which was referred to in the Prime Minister's statement of August 28 as "the central organ for the national movement," is to function for this purpose.

This objective of the Association, however, is not to be realized in a day. The task involved is not merely a matter of organization but also that of the spirit motivating the whole movement. Technically, by the time the goal of the national movement is attained, the mission of the Association will also have been fulfilled. Practically, however, when the new national structure is completed, it will very likely have to assume the more important function as the central organ of the new Movement and facilitate the smooth operation of the latter.

The Movement is, furthermore, as enunciated by the Prime Minister in his statement of August 28, "a common undertaking of the Government and the people. It is not merely a spiritual movement in the narrow sense but one aiming at uplifting the political ideals and enhancing the political consciousness of the nation." Accordingly, the Movement is highly political in nature, but it is by no means a movement for a political party as fully explained in the same statement. And the new-structure movement aims at superseding the old party politics characterized by sectional interests and predicated upon liberalism. It is therefore essentially national, all-embracing and public spirited in character. It aims at the concentration and unification of all the forces and resources of the nation; its activities extend to the whole life of the nation. Even were this movement to rise as a popular movement, its character would not be that of a political party in the old sense. It would, on the contrary, be a national movement standing above any political party, embracing all parties and factions, economic and cultural bodies, and uniting all in the spirit of public service.

Not a Single-Party Movement

Some observers entertain apprehensions that this Movement may turn out a single party movement like Nazism in Germany and Fascism in Italy. The Prime Minister himself has made an exhaustive, intensive study of this aspect of the issue. The fact remains that no single-party system is allowed to exist in Japan, in the light of her national polity. For such a political system takes a "part" and directly makes of it a "whole." It considers the State and the Party as one and the same thing, and views any opposition to the Party as a revolt against the State. It renders permanent the ruling position of one Party, with the leader of that Party as a permanent wielder of the power to govern. No matter what brilliant results such a system may have achieved in other lands like Germany or Italy, it is not acceptable in Japan; since it is contrary to the basic principle of our national polity of "One Sovereign over all." In Japan, it is the privilege of every one of His Imperial Majesty's subjects to assist the Throne, and that privilege cannot be monopolized by the power of either a single person or a single party. Briefly, the new national movement means that all the members of the nation will perform each his or her appointed task and that every one will of his own accord march on. Thus every one will voluntarily and gladly take part in the Movement; herein rests the strength of our nation with one hundred million souls united as one man.

The question remains, however, particularly as to the nature of the Association which is the central organ of the national movement whose activity is highly political.

Despite its political activities, the new organization cannot be a political association as prescribed by the Public Peace Police Law, since it is a nation-wide, common undertaking of the Government and people participated in by the Prime Minister and all other government leaders and agencies. Were it to be defined as a political organization after all, it should be defined not in old but in new and higher political terms.

Organization of the Association

The regulations governing the new Association provide for a President and certain numbers of advisers, executive directors and directors. The President controls the Association and directs the Movement. The Prime Minister is President *ex officio*. For the present, Prince Konoe assumes that high office. The reason therefor is that, since

the Prime Minister is the person particularly entrusted by the Sovereign to assist Him in the administration of State affairs, it is only natural that he should be the President, who is the leader of the whole nation in performing the duty of subjects to assist the Throne. It is imperative that the Association and the Government be made one living whole in order to forestall any form of dual government. Otherwise it might happen at times that the President would cherish political views different from those of the Prime Minister entrusted by the Sovereign. This point was taken up in the Preparatory Committee meeting throughout its sessions, where heated discussions were provoked. Granting that the Prime Minister is concurrently the President, any change in the Cabinet leadership will bring about a concomitant change in the Presidency, probably weakening the position of the Movement as a vital force. If so, it cannot be helped. And it falls within the function of the Association to discover some measure effective for strengthening the Movement. Imagine, on the other hand, a case of the President wielding a mighty political influence and differing in political views from the head of the Cabinet. It will only arrest the operation of government, endangering the political life of the nation—a state of things diametrically against the *raison d'être* of the Association. Hence the centre of the National Movement must be made one and the same and clear-cut. The advisers will assist the President in an advisory capacity and will be appointed from among governmental and other national leaders. The National Headquarters is established under the President, and within the headquarters the Secretariate and the Central Cooperation Council will be created. The directors assist the President in deliberation on important matters relating to the activities of the Association, and from among these officers the executive directors will be appointed to manage the affairs of the respective departments of the Secretariate. Counsellors appointed by the President participate in planning and activities and act as liaison officers between the Secretariate and the Government. They shall be selected also from among governmental and private leaders. No clear definition is given of the nature and function of the Central Cooperation Council. It can be envisaged, however, that persons representing every walk of life will get together and their desire to collaborate in this central organ of the Movement will be encouraged. Every section of the nation will be awakened by them to take an active interest in the Association. Whenever the political will and ideas of the nation are mobilized and concentrated in the Central Council, the Government will take note of them through the medium of the Secretariate. Here the political character of the Movement and Association begins to emerge. Thus

the function of the National Headquarters will be given a strong political character. It is premature, however, to conclude by this possible development in the work of the Council that the mutual appreciation of the will of the governing and the governed will be realized; for the Council is not a national organization *per se*, but merely an organ or agent for promoting such an organization.

This Central Council is composed of the members recommended by the local cooperation councils and nominated by the President. The method and procedure of recommendation and the qualifications for membership, however, are yet to be studied and decided on by the Association itself. Needless to add, the National Headquarters and the Government shall be inseparably related. As to the personnel, it is agreed that suitable members of the staff of the executive Departments will serve in the capacity of advisers and counsellors. The relations with the legislative bodies will be worked out in a similar way. The creations of liaison commissions can also be thought of to improve relations with various Government Departments. It should be clearly understood in this connection that the National Headquarters is in no position to be antithetical to the Government; the former will be instrumental in conveying various views on the affairs of the State to the latter for reference in the formulation of national policies, and also in communicating widely and smoothly policies decided on by the latter to every section and quarter of the nation.

With regard to the nature and function of the ordinary members of the Association, those having no official positions in the organization, they are expected to work from within at their places of business, in collaboration with the working from outside of the officers and staff of the Association, for the reorganization of those enterprises along the lines conforming to the ideals of the National Movement. They are of course members of the staffs of those establishments, engaged in the work assigned; at the same time, however, in so far as they are performing their duties in accordance with the ideals and policies of the Association, they are considered and accepted as the members of the organization. The method of their activities cannot be defined now; but some such methods can be thought of as that they should bring together their comrades within the same establishments and form a sort of study groups or liaison committees. They will take the lead in the reorganization of business management within the establishments. They may not necessarily be each a sole leader in their respective places of work. It is desirable that other comrades shall rally round him sharing the leadership in the establishment. In other words, there should be formed a

fraction or nucleus of a few leaders, which is to keep close contact with the Association, as has been explained, in promoting the cause for which the Association stands.

The members of the Association, therefore, constitute the vanguard of the Association in practising the ideals of the Movement in their vocational life.

Relations with the Fighting Services

Relations of the Army with the Association were clarified by the War Minister, General Hideki Tojo, in his statement made before the Preparatory Committee on September. 13, to the following effect:

> The Army is ready to offer positive and unreserved cooperation in the new-structure movement. The Army is especially prepared to contribute to the expediting of the perfection of the Movement, with enthusiastic moral support. In accordance with the Imperial Rescript granted to the men in the Fighting Services, the officers and men of the Army, whether in active service or in reserve, are practising this spirit of loyalty to the Emperor and of service to the State in their respective positions. For this conforms fully, they are convinced, to the basic principle of the new-structure movement, which is to create a condition and a system under which all the people are enabled to assist the Throne, and constitutes an essential step in the establishment of such a national defence structure as desired by the Army. Since, however, the central organ of this Movement is essentially of a highly political character and is engaged in energetic political activities, the Army cannot consider it proper to allow men in active service to participate directly in the organization of this Movement, in the light of the principles upon which the Army was founded. But the Army thinks it appropriate for the War Minister, the Vice-War Minister, the Director of the Military Affairs Bureau, and others whose offices qualify them to participate in government, to join the present Movement in the capacity of advisers or counsellors, with a view to bringing about closer relations and full cooperation between the Services and the Association.

During the last session of the Preparatory Committee, the Navy Minister, Admiral Koshiro Oikawa, made it clear that the Navy would also enthusiastically cooperate with the new, structure movement.

Local Organization and the New Structure

As regards the local organization of the Association, the regulations governing its organization provide that branches shall be

established at suitable places in prefectures, cities, towns and villages; and that local cooperation councils shall be attached to them. The organization of these branches shall follow the lines of the Central Headquarters, with necessary modifications according to the actualities of local conditions, and their officials shall be named by the President. Adequate consideration will be given also to their relations with the existing administrative organs.

The relationship between the central and local organizations in the matter of direction and supervision will also be worked out through a proper arrangement in personnel. Between the Central and the local council there will exist no supervisory relationship. In the personnel setup, however, it is conceivable that members of the prefectural councils will be elected from those of the city or county councils, who are elected from those of the town or village councils.

A question may be raised, in this connection, as to the relations between the prefectural council and the prefectural assembly. But prefectural, town or village assemblies are legislative organs instituted by law, thereby differing in their functions from cooperation councils. For instance, a cooperation council will hold its regular sessions perhaps once a month and take up matters affecting the whole range of the life of the people who are living in the districts within its jurisdiction, functioning as an auxiliary and cooperative organ for administrative agencies, while the prefectural, town or village assemblies are the organs which execute the will of respective local public bodies and decide on matters relating to the administrative activities of the prefecture, town or village.

New Significance of the Near-Neighbour Group

The new national structure will have its direct relationship to the people through the instrumentality of community councils, district councils and other subordinate councils, such as near-neighbour groups. There is a dire need for efficiently coordinating and strengthening particularly the last named sub-structure. The near-neighbour group will be required to hold regular meetings, keeping itself in close contact with similar meetings of the town or village council, and promote the spirit of neighbourly solidarity, sharing mutually joys and sorrows. Only when people are animated with the spirit of mutual help toward their neighbours and with the spirit of improving their town or village, can the national structure to unify one hundred million people be firmly established and be given life.

Most probably the town and village councils will be made the town and village cooperation councils of the Association for Assisting the Throne. They must gradually be reorganized, however, to be composed exclusively of the members of the new Association. Thus the whole plan of organization of the nation, as intended by the new Movement, uniting the President of the Association, who is the Prime Minister, with the people, including those in the humblest walks of life and in the remotest corners of the country—a structure functioning not in parallel with, but as supplementary to, the administrative structure of the Government in realizing the ideal of mutual appreciation of the will and ideas of the governing and the governed.

Membership of the Association

The Association for Assisting the Throne, being a movement that concerns the entire nation, every individual of the Japanese race is by birthright qualified for membership in it in the widest sense of the term. Inasmuch, however, as the Association is a practical organization to play the rôle of prime mover in the National Movement, the President of the Association designates for membership such persons from among the people as are ready to devote themselves to the cause, truly appreciating the fundamental principles of the Movement. In consequence, mere payment of membership fees would never make a faithful member. The function of members of this Association is analogous to that of officers in other organizations. Since all the members cannot become officers in any organization, in the new Movement, which comprises the entire nation, all the people cannot become members of the Association. Such being the peculiar nature of its membership and in view of the fact that the Association so organized plays the principal part in the Movement it might lead some to imagine that after all the Movement, despite its professedly nation-wide undertaking, is run by a small group of people and that the rest, therefore, have nothing to do with the affair. Of course, this is not the case. The fact that one is not a member of the Association should by no means hinder one from working actively for the Movement.

Next comes the question of financing the organization. Although nothing definite is as yet fixed, the regulations of the Association provide for Government grants, membership fees and other contributions, including contributions from the public. The membership fees, though they seem to be a trifling affair, are in truth of great

significance as determining the character of the present Movement. For, each member of the Association, far from being an ordinary salaried person, is expected to go so far as to take his own lunch about with him in order that he may save as much as possible to give his tithe as a contribution, with the political consciousness and enthusiasm that the structure he is building up is truly his own. In this manner, this ostensively small matter may well serve to impart to this central body a highly political character. It is quite natural that this National Movement is to be expanded to include Chosen and Taiwan, the particulars of this programme to be worked out by the National Headquarters.

Government Service and the New Structure

The summary of the fundamental national policies of the Konoe Cabinet enumerates among the measures for renovating the internal structure, the fundamental renovation in the operation of administrative organs and the reformation of the bureaucracy aiming at the unity and efficiency of those organs. An investigation into such a measure is being undertaken. There may be a great deal to be done to bring about the new structure in the Government service; but mention may here be made of the following items, which have already been decided upon by the Cabinet Council:

(1) Renovation of the system of civil service, which signifies:
   (a) Reforming the system of appointments to the civil service;
   (b) Reforming the regulations relating to the status of officials;
   (c) Reforming the civil service examination system;
   (d) Rationalizing the treatment of Government officials with special reference to the removal of uncertainties in the livelihood of minor officials;
   (e) Establishment of a system necessary for the exchange of officials between Japan and Manchoukuo.

(2) Readjustment of the administrative affairs of Government offices in conformity with the national defence structure, giving priority to urgent requirements:

(3) Stressing the discipline of public servants:
   (a) Moral discipline of Government officials;
   (b) Re-education and re-training of Government officials;
   (c) General exchange of personnel between the Central and local agencies.

In fact, some of these have already been worked out and are about to be put into practice. In this connection mention may be

made of appropriate measures that are being studied to ensure harmonious cooperation between the High Command and the administrative branches of the Government.

Imperial Diet and the New Structure

The establishment of a new parliamentary structure for assisting the Throne implies the renovation of the existing system of the Diet in response to the need of the times. Needless to say, the organization and function of the Imperial Diet should be in conformity with the spirit of the Imperial Constitution. It is characteristic of our constitutionalism that it is an institution for assisting the Throne, and its *raison d'être* is fundamentally different from that in other countries. This consideration certainly makes it necessary for us to reflect upon the organization and the manner of operation of the existing institution, which should be renovated as called for by the exigencies of the times. Thus, the function of the Imperial Diet is neither more nor less than to assist the Throne, and in the same way no individual member should depart from or fall short of discharging this essential duty. In view of the grave situation confronting the nation today, especial stress must be the placed on the cooperation between the Government and the Diet. Accordingly, there is much in the structure and functioning of the legislative body that calls for close scrutiny. As the initial step in effecting such a fundamental reform, it is essential that the Diet should be composed of members who are well qualified to undertake the grave responsibility of assisting the Throne, and for this reason it is imperative that the very organization of the institution should be reformed. This will require revisions of the Diet Law, including the reform of the House of Peers and that of the Law concerning the election of members of the House of Representatives. Furthermore, there will be in the relations between Parliament and the new Association much that requires careful consideration. The new parliamentary structure for assisting the Throne will have to be set up along such lines.

Political Parties and Other Organizations

The political parties have been dissolved one after another and are ready to join the new National Movement. Old party men are found on the Preparatory Committee or in the National Headquarters, endeavouring to bring about a new political structure. But the Association does not recognize the participation of the old political

organizations as such. Nor are individuals allowed to join the Association in the capacity of members of a political organization. In his statement at the second meeting of the Preparatory Committee, the Prime Minister made it clear that the Government would not exercise authority to prohibit the existence of political organizations, but in accordance with the aims of the new structure, all political and other organizations would be expected to dissolve themselves in order to join the new structure.

Then, what of, the other organizations? Much uncertainty remains on this point, but organizations like the women's and young people's associations are tending to amalgamate. With regard to the Reservists' Association, both the War and Navy Ministers have concurred in the view that because of the nature of the Movement and of the fact they are after all members of the nation, the reservists should not only participate in it but also constitute the most active members of the Association. Inasmuch, however, as it is ordered in the Imperial Rescripts granted to the reservists on November 3, 1914, and December 3, 1927, and prescribed by Imperial Ordinance, the Reservists' Association as such may not concern themselves with politics; it is obviously not proper to incorporate the Reservists' Association into the central organ of the new structure.

With respect to other bodies, the matter will be taken up later as the President of the Association makes appointments of members of the Cooperation Council. Representatives of those organizations may be invited to serve as Council members along with men of expert knowledge and experience. It is possible for some organizations to have close relations with the Economic or Cultural Division of the new system. Or, again, it may happen that the various organized bodies will one day be required to reorganize, in which case the probability is that some persons in the National Headquarters, with which the organizations in question are closely associated, might be designated to take the leadership of these organizations. In the case of the young people's associations, for instance, it is obviously impossible that everybody in it should be taken into the central body of the new structure, but their leaders may perhaps be asked to join the Association, in one form or another. This is also true of the women's associations, whose representatives might become members of the Central Cooperation Council, while their association itself may work in close relation with the Cultural Division, with the probability of being eventually merged into the latter. In principle, therefore, all these organized bodies are expected to be readjusted in conformity with the new

structure, and in the case of economic bodies, they will have to be reorganized in such a way as to place the national interest above everything else.

New Cultural Structure

While hitherto politics and culture in this country have remained practically unrelated the establishment today of a highly organized national defence structure has rendered it impossible that such a state of affairs should persist. In the new cultural structure, its different phases, including science, arts, sports, and amusements, must be developed in accordance with the basic purpose of the new National Movement. These activities will be readjusted, correlated or unified where necessary. The purpose of the new cultural structure will, then, be to foster a new culture in this country and in East Asia, and there will be a mobilization of all cultural forces in the cause of the national defence structure. This new structure for national defence is by no means confined to military and political activities only, but is large enough to include culture, that is, science, religion and art. For the attainment of this supreme objective all phases of culture are to be unified in concerted efforts, and the manifestation and exaltation of the Japanese spirit should be the guiding principle underlying all these efforts.

The People's Own Movement

In concluding this somewhat lengthy account of the nature and activities of the National Movement for Assisting the Throne, what deserves special emphasis is the fact that it is essentially the people's own movement and as such its success or failure rests upon whether or not the people fully realize their responsibility for carrying it through. What would prove to be most detrimental to this important national cause would be the attitude of onlookers who take intellectual delight in merely criticizing its practical weaknesses or imperfections. It is this very attitude of irresponsible criticism that the new National Movement is trying to root out from among our people. Should there exist any weakness in the Movement, it is nobody's responsibility but ours to correct or overcome it. Thus let us make the new Movement our own and gladly and proudly take part in the high task of establishing the new order in Greater East Asia and constructing the new world order, a task for which the Movement is organized.

DOCUMENTS CONCERNING THE THREE-POWER PACT

I

SUMMARY OF THE THREE-POWER PACT BETWEEN JAPAN, GERMANY AND ITALY, SIGNED ON SEPTEMBER 27, 1940, AT BERLIN

THE Governments of Japan, Germany and Italy, considering it as the condition precedent to any lasting peace that all nations of the world be given each its own proper place, have decided to stand by and cooperate with one another in regard to their efforts in Greater East Asia and the regions of Europe, respectively, wherein it is their prime purpose to establish and maintain a new order of things calculated to promote the mutual prosperity and welfare of the peoples concerned. Furthermore, it is the desire of the three Governments to extend cooperation to such nations in other spheres of the world as may be inclined to put forth endeavours along lines similar to their own, in order that their ultimate aspirations for world peace may thus be realized. Accordingly, the Governments of Japan, Germany and Italy have agreed as follows:

ARTICLE 1

Japan recognizes and respects the leadership of Germany and Italy in the establishment of a new order in Europe.

ARTICLE 2

Germany and Italy recognize and respect the leadership of Japan in the establishment of a new order in Greater East Asia.

ARTICLE 3

Japan, Germany and Italy agree to cooperate in their efforts on the aforesaid lines. They further undertake to assist one another with all political, economic and military means when one of the three Contracting Parties is attacked by a Power at present not involved in the European War or in the Sino-Japanese Conflict.

ARTICLE 4

With a view to implementing the present Pact, Joint Technical

Commissions, the members of which are to be appointed by the respective Governments of Japan, Germany and Italy, shall meet without delay.

ARTICLE 5

Japan, Germany and Italy affirm that the aforesaid terms do not in any way affect the political status which exists at present as between each of the three Contracting Parties and the Soviet Union.

ARTICLE 6

The present Pact shall come into effect immediately upon signature and shall remain in force for ten years from the date of its coming into force.

At a proper time before the expiration of the said term the High Contracting Parties shall, at the request of any one of them, enter into negotiations for its renewal.

II

MESSAGE OF THE PRIME MINISTER

On the occasion of the conclusion of the Three-Power Pact between Japan, Germany and Italy, an Imperial Rescript has been issued, setting forth clearly the aims of our Empire and pointing out the path which our nation should follow. I am greatly moved by the boundless benevolence of our Sovereign.

To maintain world peace and to insure the stability of East Asia is indeed the immutable national policy of Japan, firmly rooted in the principles on which our Empire was founded.

With the outbreak of war in Europe last autumn, conflict and confusion have spread increasingly over the world. It is an urgent necessity of this moment to devise measures for the cessation of the disturbances and the restoration of peace. Germany and Italy share with our Empire in the same ideals and aspirations. Accordingly, with a view to joining hands with these Powers to establish a new order in the respective regions, and furthermore to cooperating with them toward the restoration of world peace, Japan has now concluded a Three-Power Pact. The time has come for our nation to proceed with fresh resolve to construct a new order in Greater East Asia.

However, to carry out fully the conviction of our country and to enable all nations to find each its proper place is indeed a difficult task. The goal lies far ahead. We must expect to encounter numerous obstacles as we go on.

I confidently hope that, in obedience to the Imperial will, our people, in order to surmount the present emergency, will make clear the concept of national polity, unite heart and soul, and overcome any and every obstacle, thereby setting at ease the august mind of our Sovereign.

III

RADIO ADDRESS BY YOSUKE MATSUOKA, MINISTER FOR FOREIGN AFFAIRS, DELIVERED ON SEPTEMBER 27, 1940

Today, on the occasion of the conclusion of the Three-Power Pact between Japan, Germany and Italy, an Imperial Rescript—I am profoundly moved to say—has been issued to the nation. What we, His Majesty's subjects, should do has been plainly indicated by the Prime Minister in his message. I sincerely believe that it is incumbent upon all of us to lay to heart the august will of our Sovereign and put forth our best efforts in order to surmount the current emergency.

Our country is now faced with a most difficult situation, unparalleled in its history. What step we should take at this moment is a grave problem upon which hangs the fate of our nation. The Government, keenly conscious of the gravity of its responsibilities, are seeing to it that nothing shall come amiss.

The objective of Japan's foreign policy is no other than to dispose of the China Affair, to construct a sphere of common prosperity in Greater East Asia and to contribute thereby to the establishment of true peace for the entire world. But when we look at the actual international situation, we find that this intention of Japan is not yet fully understood. There are countries which have the mistaken idea that peace means the mere maintenance of the old order, or those which, while realizing the inevitability of change, are reluctant to part with the old order. Moreover, there are countries which attempt to obstruct, directly or indirectly, our construction of a new order in Greater East Asia, and even those who resort to all sorts of stratagems in order to block the path of Japan's advance toward the fulfilment of her great historic mission—that of establishing world peace. The Japanese Government have assiduously striven to remedy this regrettable state of affairs. Nevertheless, I regret to say that the situation has not only failed to improve, but it has even shown signs of aggravation in certain quarters.

Circumstances have now brought Japan to the point where she can no longer permit the international situation to drift as it will.

At this juncture, there is only one course for Japan to take. That is to say, internally we should stand resolutely together—one hundred million people as one—by establishing speedily the new State structure for national defence; and externally, we should first unite with Germany and Italy which have the same aspirations and policy as ours and later with those Powers who can cooperate with us. We should thus go fearlessly forward to carry out our conviction, calling at the same time upon those Powers that obstruct us to reconsider their attitude. In such a manner, the Government expect to achieve the ultimate aim of our Yamato race—namely, the establishment of a new order in East Asia.

Accordingly, we have conducted negotiations with the representatives of Germany and Italy, which have resulted in the conclusion of the Three-Power Pact, made public just a short while ago.

The establishment of this historic relationship of alliance between the three countries is, of course, due to the wisdom of our gracious Sovereign. At the same time it owes much to the judgment and decision of the eminent leaders of Germany and Italy—Chancellor Hitler and Premier Mussolini. Again, the German Foreign Minister, Herr von Ribbentrop, has made earnest efforts for German-Japanese cooperation from the very day he assumed his present office, while the Italian Foreign Minister, Count Ciano, having been once stationed in East Asia, and understanding fully Japan's position in East Asia, has ceaselessly laboured for the promotion of Italo-Japanese friendship. Needless to say, these two foreign ministers have played important rôles in the inclusion of the present pact.

The pact provides that Japan, Germany and Italy shall cooperate freely with one another toward the construction of a new order, respectively, in Greater East Asia and in the regions of Europe, in which these Powers are at present engaged. It also provides that if any one of the Contracting Parties should be attacked by an outside Power, at present not involved in the European War or in the China Affair, the three Contracting Powers shall render mutual assistance with all possible means, political, economic and military. Accordingly, it does not mean that because of this pact Japan is to enter the European War at present, nor that she intends to challenge any Power without provocation. It may be added also that the present treaty will not affect in any way the existing political status between Japan, Germany and Italy on the one hand and Soviet Russia on the other.

The treaty also provides that Germany and Italy recognize Japan's position of leadership in regard to the construction of a new order in Greater East Asia. We in turn recognize the leadership of Ger-

many and Italy in the European regions where they are now engaged in the establishment of a new order, staking even their national existence in the undertaking. And thus the Three Powers are to join forces and help one another to the utmost.

With the conclusion of this treaty, Japan's responsibilities as leader of the new order in Greater East Asia become even greater than before. Although it is the intention of the Japanese Government to fulfil these responsibilities always by peaceful means, there is no telling whether there might not arise occasions and circumstances calling for a momentous decision on the part of our nation. Our future is beset with countless obstacles and difficulties, which, it must be fully realized, no ordinary effort will be sufficient to surmount. Our Government and people, united as one and grasping fully the situation both at home and abroad, should be prepared to endure all hardships and all sacrifices, and redouble their efforts so as to conform to the august will of our Sovereign.

INDUSTRIAL RECONSTRUCTION IN CHINA

CABINET INFORMATION BUREAU

IN China modern methods of industry were first adopted in the latter part of the nineteenth century, but progress along this line has been tardy; for even today two-thirds of the products of Chinese industry are hand-manufactured.

Although no detailed statistical data are available on China's industrial conditions immediately before the outbreak of the China Affair, a survey made in 1934 showed that the total number of Chinese industrial establishments with more than 30 operatives (qualified as factories by the Chinese Industrial Law), was 2,435, with capital investments totalling 400,000,000 yuan. The number of factory operatives was estimated at 500,000, producing about 1,280,000,000 yuan of manufactured goods. This means an average capital investment per factory of less than 170,000 yuan—which shows that the average Chinese factory is small in scale and poorly equipped. On the other hand, there are the British, American, Japanese and other foreign industrial enterprises in China, which are operated with about twice the amount of capital that the Chinese invest in their own industrial enterprises. What is more, the foreign-owned plants have the advantage of possessing modern equipment and a high degree of engineering skill.

Light industries such as spinning, flour milling, oil, tobacco, and match manufacturing occupies about 90 per cent of the Chinese industrial field. As for machine-manufactured goods China depends largely upon foreign-owned factories. Another noteworthy fact is that 80 per cent of all industrial plants in China are concentrated in Shanghai, Tientsin, the Wuhan cities, Canton and Tsingtao, where most of the foreign-owned plants are located, as well as over 50 per cent of Chinese factories operated with purely Chinese capital.

The low productivity of Chinese industry has a cramping effect and does not allow the rich industrial resources of the country to be used for her own advantage. Instead such resources have mostly been exported in the form of raw materials to feed the advanced industries in distant parts of the world, and which in turn necessitated the importation of raw materials required for Chinese industry. Furthermore, this low industrial productivity has at best secured to the workers an extremely low livelihood, with the result

that Chinese industry has been unable to separate itself from agrarian economy.

A knowledge of the special characteristics of China's industrial structure, as described above, is necessary in order to arrive at a correct understanding of her industry, and will, at the same time, be of assistance in forming an idea of the direction in which the construction of a new East Asia will be effected through Sino-Japanese cooperation, that is, the emancipation of the Asiatic peoples from their present semi-colonial status.

Extent of Destruction

As 80 per cent of the industrial plants in China was concentrated in the five industrial centres, direct damages sustained by them as a result of the hostilities were enormous. In Shanghai, according to statistics compiled by the Social Affairs Bureau of the old Shanghai Municipality in November, 1936, 2,998, or about 55 per cent, out of the 5,525 factories in that city were destroyed. Damages increased still further consequent on the fall of Nantao. All in all, damages to factories in the city were estimated at 800,000,000 yuan. The French Concession escaped destruction, whereas in the International Settlement 70 per cent of the factories clustered about the eastern areas of the city under Japanese jurisdiction were demolished. In Pootung and other districts under Chinese jurisdiction, damages to factories did not exceed 50 per cent, while destruction of such establishments in Chapei and Nantao was almost complete, with the result that the number of factories in the whole of Shanghai was reduced to 26.5 per cent of that before the hostilities. Damages to Japanese spinning mills were not as great as those sustained by Chinese mills, but the Toyoda Spinning Mill was more than half wrecked and the Nikka Spinning Mill in Pootung also suffered considerable damage. Factories on the Yangtze delta escaped with less damage than those in Shanghai, but the productive capacity of those at Wusih and Changchow was reduced by 50 per cent. Small factory-owners in those districts suffered heavy losses when thieves, taking advantage of the confusion, ransacked their establishments.

At Tsingtao, the greatest industrial centre in North China, all Japanese spinning mills, including the Naigai, Fuji, Kungdah, Nisshin, Dai Nippon, Shanghai, Tunghsing, Toyoda and Kokko Spinning Mills were razed to the ground overnight by Chinese troops. Direct damages to Japanese factories at Tientsin were comparatively small, but most of the spinning mills had to suspend operations, reducing their total output to about 53 per cent by the end of 1936. In the

three Wuhan cities 41 per cent of the 516 factories took refuge in the hinterland and about 12 per cent were deliberately destroyed. The remaining 47 per cent more or less damaged factories were restored. Severe fighting was chiefly to blame for these devastations, and if losses due to suspension of work were included, the total setback would amount to a staggering figure.

Rehabilitation

The industrial areas thus affected by the hostilities are the strategic districts under the new Chinese Government. It is necessary, therefore, to undertake first of all the rehabilitation of factories, rescue work and maintenance of peace and order in those stricken cities. For this purpose, all the factories which were deserted by their owners have been placed temporarily under the supervision of the Japanese military, or consigned to Japanese interests. Many Chinese factory-owners were able to reopen their plants by the aid of Japanese capital and engineering skill under Sino-Japanese management. This arrangement has attracted no small amount of Japanese capital to China and has helped many a prostrate Chinese factory to regain its feet.

In Shanghai, factories are gradually being rehabilitated. This is particularly true in the foreign settlements where there is now a greater number of factory operatives than before the clash. Even in the eastern section of the settlement, where destruction was heaviest, about 80 per cent of the factories, chiefly Japanese, have been restored. In the area under Chinese jurisdiction, rehabilitation work in Pootung is being carried out most efficiently, and that in Nantao is also making headway. The Japanese spinning mills which suspended operations at the beginning of the war, set to work to reopen immediately after the Chinese forces were driven back and such plants resumed work late in 1937.

Although the damage suffered by Japanese spinning mills at Tsingtao was very great, the first part of the rehabilitation programme was completed early last year, in which roughly 60 per cent of the productive power was restored. The spinning industry in Tientsin, which did not suffer direct damage, has outstripped those of Tsingtao in productivity and is now enjoying unprecedented prosperity. In the Wuhan cities, 11 important factories, representing British and Sino-Japanese capital and others, together with 87 small Chinese plants have been restored. The number of small Japanese industrial enterprises in those cities have quadrupled since 1937.

From Restoration to Construction

With the progress of restoration work, Chinese industry has entered a new stage of development and should therefore expand along modern lines. Under Japan's leadership, a plan is now under way for the systematic development of North China, including the Mongolian provinces, with a view to preventing the infiltration of Communism and stimulating China's productive power. Under this plan, various industries such as coal, iron, coal liquefaction, electric power and salt industries have been placed under economic control, while spinning and other industries were allowed to remain as free enterprises. In November, 1937, the North China Development Company was organized as a holding company for controlling various subsidiary companies related to such industries. As for free enterprises, they are to be conducted in accordance with the following three basic principles for the establishment of a new order in East Asia: (1) Japan, Manchoukuo and China must avoid economic rivalry; (2) Any enterprise which may call for dual investments will be restricted; and (3) Indiscriminate duplication of enterprises of the same kind must be avoided. Accordingly, policies based on these principles have been formulated to regulate free enterprises.

This policy of regulating industry is intended to promote a healthy development of Chinese industry, and to encourage Sino-Japanese economic co-operation by affording it political and economic security. The declaration of the commander-in-chief of the Japanese expeditionary forces in China on March 18, to the effect that factories under Japanese military supervision are to be restored to legitimate Chinese ownership is animated with the same spirit. Such is the political, economic and military policy of the Japanese Government in the special areas of North China as it is in Central China. Important industries are controlled by the North China Development Company and the Central China Promotion Company, while minor industries may be undertaken as free enterprises.

North China

The method of industrial control is of special interest. Up to the outbreak of the China Affair, a greater part of the iron industry in North China was still undeveloped, and the Shihchingshan refinery had been closed for 20 years. The iron industry is now under the direction of the Lungyen Mining Company, a Sino-

Japanese organization established in July, 1939. The Shihchingshan Iron Works has been put into operation since November, 1938, the Yanghuan Iron Works since June, 1939, and the Taiyüan Iron Works since November, 1939, and they are doing very creditably.

As for electric power, up till the outbreak of hostilities, Chinese industry depended upon the local generation of power on a small scale, chiefly for lighting purposes. This is one of the reasons why large electric enterprises did not develop. The electric industry in North China at present is being carried on by the Huapei Electric Power Company, which was established in November, 1939, and commenced services in February this year, as a subsidiary of the North China Development Company. It supplies Peking, Tientsin and the East Hopei District with electric power. The Company is also in charge of the local power houses under military control, and later on it is destined to control the electric power industry throughout North China.

Salt and Soda

Formerly the manufacture of industrial salt in North China was conducted chiefly by the salt department of the Hsingchung Company. The Huapei Salt Company, which was established in August, 1939, as a subsidiary organization, is now engaged in the development of Changlu salt from the salt-fields near Tangku. The Hsingchung Company operates a soda manufacturing plant at Tangku belonging to the Yungli Chemical Industry Company, which is under military control, but the two concerns are expected to be merged in the near future. Besides this, the Shantung Salt Company, established in February, 1937, is now developing salt-fields in Shantung. All these subsidiary companies are operated either by purely Chinese or Sino-Japanese management.

In Central China, there are 12 subsidiary companies of the Central China Promotion Company. The Huachung Salt Company, established in August, 1939, is developing the salt-fields of Haichou. It also intends to develop new salt fields by directly investing its capital or by accommodating loans. The Huachung Silk-Reeling Company was organized in August, 1939, for controlling silk-reeling and for the manufacture of silkworm egg cards. It now operates 20 factories in Wusih, Suchow, Hangchow, Haining, Anking and Kashing. Electric power and water supply services are conducted by the Huachung Water and Electric Power Supply Company, which was brought into being in June, 1938. The company supplies electric light to about 60,000 users, electric power to about 2,000

and electric heat to about 500 in Chapei, the central section, Nantao, Pootung, Chenju and Woosung in Shanghai. The company is also in charge of electric plants in Nanking, Hangchow, Chinkiang, Hankow, Anking, Changchow, Puhu, Sungkiang, Yangchow and Kiukiang.

A water supply system is maintained at Chapei, Nantao and Pootung in Shanghai. The total volume of water which the company supplies to the city is over 6,200,000 cubic metres a day. In addition to this, the company is in charge of the water works in Hangchow, Chenkiang, Nanking, Hankow and Wuchang.

The development of free enterprises, such as spinning, flour milling, cement, tobacco, and paper manufacturing, and wool weaving, which are operated by machinery, has been as remarkable in Central China as it has been in North China under Chinese and Sino-Japanese management. In Shanghai, Japanese industrial activity before the China Affair was confined to the spinning industry, but since the outbreak of hostilities Japanese capital has financed all kinds of enterprises from flour milling, silk-reeling, lumbering, the manufacture of tobacco, soft drinks, cement, electric bulbs, rubber, automobile, tea, pig's bristles, paulownia oil, and the processing of eggs.

This general survey shows the rapid progress that Chinese industry has been making under Sino-Japanese economic co-operation.

CELEBRATION OF THE 2,600TH ANNIVERSARY OF THE FOUNDING OF THE EMPIRE

CABINET INFORMATION BUREAU

TO students of Japanese history it is common knowledge that the current year marks the 2,600th anniversary of the founding of the Empire; to the Japanese people, however, the fact that the anniversary is to be celebrated in this particular year acquires a profound significance which they alone can fully appreciate. For it is this year that the lofty ideals and broad principles on which the Empire was founded 2,600 years ago by Emperor Jimmu, have been shown most clearly and concretely to the Japanese people in connection with the sacred task of establishing the new order in Greater East Asia as the first step in realizing the ideal of "the world as one family." The Government and people have accordingly worked out with genuine enthusiasm the programme for celebration, including services at the shrines, State and official ceremonies, grand military and naval reviews, celebrations by the people and commemoration undertakings, part of which has already been carried out in connection with the observance of *Kigen-setu* (Empire Day) on February 11 and on other appropriate occasions.

Programme for Celebration

1. Services

As has been stated, services at the Grand Shrine of Ise and other shrines were performed with marked solemnity on the occasion of *Kigen-setu*. On the day of the State ceremony, which will take place on November 10, special services will also be held at all shrines throughout Japan.

2. State and Official Ceremonies

On the auspicious occasion of the anniversary of His Majesty's Enthronement, the Government will conduct a ceremony in the presence of Their Majesties the Emperor and Empress, on November 10, at the outer garden of the Imperial Palace. This will be a State ceremony at which congratulations will be offered to His

Majesty on the glorious achievements of the Japanese people and the prodigious growth and development of the national life under the august virtues of the Imperial Family during the past 2,600 years.

On the same day official ceremonies of a similar nature will be held in prefectural and other centres throughout the Empire, including overseas territories.

3. Grand Military and Naval Reviews

The grand military and naval reviews were held on October 21 and 11 at the Yoyogi Parade Ground and off Yokohama harbour, respectively, displaying in a most impressive manner the military, naval and air strength of the nation under the emergency.

4. National Celebration

Following the State ceremony on November 10, a national celebration will be held in the presence of Their Majesties, at an appropriate place in Tokyo, under the auspices of the Association for Celebration of the 2,600th Anniversary. At this function congratulations will be offered to His Majesty on behalf of the entire nation.

5. Commemoration Undertakings

The Association for Celebration of the 2,600th Anniversary, referred to in the foregoing paragraph, represents the whole nation, and is under the honorary presidency of H. I. H. Prince Chichibu. At a meeting of the Council the following projects were adopted as part of the nation-wide commemoration undertakings :

1. Extension and improvement of the precincts of the Kasiwara Shrine and of the approach to the Unebiyama Northeastern Mausoleum.
2. Extension and improvement of the precincts of the Miyazaki Shrine.
3. Investigation, preservation and celebration of hallowed grounds associated with Emperor Jimmu.
4. Improvement of the approaches to the Imperial Mausoleums.
5. Construction of the National History Building.
6. Publication of an Outline of the Cultural History of Japan.

The execution of these projects have been entrusted to various Government Departments and prefectural authorities, so that, with one or two exceptions due to constructional delays, it is expected that all undertakings will be completed this year.

STATEMENTS OF THE FOREIGN OFFICE SPOKESMAN

I

—Statement Concerning the Conclusion of the Japanese-Brazilian Cultural Treaty, Issued on September 24, 1940—

JAPAN and Brazil have long enjoyed mutually cordial and friendly relations in the fields of trade, enterprise and immigration. With the increasing exchange of visits by scholars, artists, journalists and others of the two countries, there has been a notable growth in interest in the culture of each other's country. With the object of accelerating this tendency and deepening further the mutual understanding between the two countries, the Japanese-Brazilian Cultural Treaty was concluded at Rio de Janeiro on September 23.

The conclusion of this treaty is an epochal event in the history of amicable relations between Japan and Brazil. It is indeed a source of profound gratification that the treaty will serve to strengthen further the spiritual bond that ties Japan with Brazil, the great Republic in South America, as well as to promote their amicable relations.

The treaty is to be enforced after the exchange of ratifications. Its contents are almost similar to those of the Japanese-Italian Cultural Agreement which was concluded in March of last year.

II

—Statement Concerning the Return of the Special Envoy, Mr. Ichizo Kobayashi, to Japan, Issued on October 21, 1940—

Mr. Ichizo Kobayashi, who was sent to the Netherlands East Indies for the special purpose of conducting negotiations with that Dutch colony, has decided to return temporarily to Japan as it is necessary for him to be present at the ceremonies in commemoration of the 2,600th anniversary of the founding of the Japanese Empire and also to make a report to, and consult with, the Government concerning his negotiations.

During the absence of Mr. Kobayashi, the negotiations at Batavia, which are progressing smoothly, will, of course, be continued between Consul General, Mr. Otoji Saito and Mr. Tomotsune Ota and the Netherlands East Indies delegation.

INCOME TAX LAW

CHAPTER IX

Penal Provisions

Article 88

Any person who by fraud or dishonest act has evaded payment of income tax shall be punished by a fine or minor fine corresponding to three times the amount of tax evaded, but if he has surrendered himself to justice or has notified the superintendent of the taxation office, he shall be acquitted from blame.

In the case of the preceding paragraph, the amount of income of the person who has evaded the income tax in respect of the income as referred to in Paragraph 1 of Article 36 shall, notwithstanding the provisions of Paragraph 2 of the said article, be determined by the Government and the tax thereon shall be collected forthwith.

Article 89

A person who has violated the provisions of Article 66 shall be punished by a fine not exceeding 1,000 yen.

Article 90

A person who, without good reason, has failed to present a record of payment or a statement of account, which ought to be presented to the Government in accordance with the provisions of Paragraph 1 or Paragraph 2 of Article 80, or who has presented a record of payment or a statement of account containing false entries, shall be punished by a fine not exceeding 1,000 yen.

Article 91

Any person who has given a false notification in respect of the matters as provided in Paragraph 1 of Article 78 upon obtaining payment of interest or dividends in respect of uninscribed public bonds, corporation debentures or shares, and any person who has made payment without causing notification to be given, in violation of the provisions of Paragraph 2 of the said article, shall be punished by a fine not exceeding 500 yen.

Article 92

A person who has denied, obstructed or evaded the inspection of

books, documents and other articles in accordance with the provisions of Article 81 or has shown books and documents containing false entries, shall be punished by a fine not exceeding 1,000 yen.

ARTICLE 93

If a person who is, or was, engaged in the investigation or reinvestigation of incomes has, without good reason, divulged any secret of which he obtained knowledge in connection with the said investigation or reinvestigation, he shall be punished by a fine not exceeding 1,000 yen.

ARTICLE 94

A person who, in connection with the election of members or reserve members of an income investigation committee, or of members or reserve members of an income reinvestigation committee, has offered gifts in money, in kind, or other benefits relating to property or to public or private offices to the electors or electioneers, or entertained them, or offered or promised to entertain them, with the object of getting himself returned, or causing others to be returned or causing others not to be returned, shall be condemned to penal servitude or imprisonment for a term not exceeding three years or punished by a fine not exceeding 2,000 yen.

The provisions of the preceding paragraph shall hold good also in respect of a person who has received a gift or entertainment mentioned in the preceding paragraph, or demanded the same or accepted the offer of the same.

The provisions of the first paragraph shall also hold good in respect of a person who has used his good offices or made solicitation or given encouragement with regard to the action as provided in the preceding two paragraphs.

ARTICLE 95

A person who, in connection with the election of members or reserve members of an income investigation committee or of members or reserve members of an income reinvestigation committee, has made house-to-house visits or interviewed individual electors one after another or conducted an election campaign by telephone, with the object of obtaining votes or enabling votes to be obtained or rendering the obtaining of votes impossible, shall be condemned to imprisonment for a term not exceeding one year or punished by a fine not exceeding 500 yen.

ARTICLE 96

The provisions of the proviso to Paragraph 3 of Article 38, Paragraph 2 of Article 39, Articles 40 and 41, Paragraph 2 of Article 48, Articles 63 and 66 of the Criminal Code shall not apply in respect of a person who has committed the offence mentioned in Paragraph 1 of Article 88.

Supplementary Provisions

ARTICLE 97

The present law shall be enforced as from April 1, 1940 (15th Year of Showa).

ARTICLE 98

The present law shall apply, beginning with the classified income tax for 1940 (15th Year of Showa), in respect of real property incomes, Class B incomes from dividends and interest, business incomes, Class B earned incomes, incomes from forests and Class B retirement incomes, or beginning with the composite income tax for 1940, in respect of the gross income of individuals.

ARTICLE 99

With regard to income tax on incomes of a juristic person for each business year which has ended prior to the enforcement of the present law and liquidation incomes accruing from a dissolution or merger, as well as income tax on second-class or third-class incomes, which was imposed or ought to have been imposed, or was collected or ought to have been collected prior to the enforcement of the present law, precedents shall be followed.

ARTICLE 100

The provisions of Article 8 shall not apply in respect of the amounts of money mentioned in Numbers 2 and 3 of the said article which accrue from a dissolution or merger prior to the enforcement of the present law.

ARTICLE 101

With regard to incomes mentioned below, the Government may, as prescribed by Ordinance, reduce or remit income tax, only in so far as (the income tax for) the year 1940 (15th Year of Showa) or 1941 (16th Year of Showa) is concerned, or create exceptions in respect to the calculation of the amount of incomes :

1. Incomes accruing from the property, businesses or occupations other than those continuing to be in possession during the period from January 1, 1939 (14th Year of Showa) to January 1, 1941 (16th Year of Showa);
2. Salaries, wages, annual allowances, compensation for expenses, annuities and pensions as well as allowances of the nature of those which have been referred to, other than those payment whereof is being continually received during the period from January 1, 1939 (14th Year of Showa) to January 1, 1941 (16th Year of Showa);
3. Incomes accruing from fishery enterprises.

ARTICLE 102

Bonuses or allowances of the nature of a bonus, which belong to Class B earned incomes, shall be calculated as Class B earned incomes for the year 1940 (15th Year of Showa), only in so far as the amount of incomes received after March 1, 1939 (14th Year of Showa) up to December 31 of the same year is concerned.

ARTICLE 103

With regard to classified income tax on Class A earned incomes, receivable up to July 31, 1940 (15th Year of Showa) after the enforcement of the present law, of a person whose third-class incomes for 1939 (14th Year of Showa) exceed 5,000 yen (based on an amount including those of the head of the house or members thereof living together), no deduction in virtue of the provisions of Paragraph 1 of Article 24 shall be made.

ARTICLE 104

Incomes mentioned in Number 2 of Paragraph 1 of Article 30, the date for payment whereof is prior to the enforcement of the present law, shall not be calculated as the gross incomes of individuals.

Bonuses or allowances of the nature of a bonus shall be calculated as the gross incomes of individuals for the year 1940 (15th Year of Showa), only in so far as the amount of incomes received after March 1, 1939 (14th Year of Showa) up to December 31 of the same year is concerned.

ARTICLE 105

Notwithstanding the provisions of Paragraph 1 of Article 21, classified income tax shall be imposed at the rate of 3 per cent for the time being on interest on national bonds which have been

deposited by savings banks in accordance with the provisions of Paragraph 1 of Article 9 of the Savings Bank Law.

ARTICLE 106

Of the gross incomes of individuals, the interest on public bonds, company debentures, deposits in banks and deposits as provided in Paragraph 2 of Article 21, as well as profits from the joint-operation-trust as prescribed by Ordinance, payment whereof is obtained within the area where the present law is in force, may be divided, for the time being, from other incomes on application by the person liable to tax and [thus] composite income tax on the same may be imposed at the rate of 15 per cent with the amount of interest or the amount of profit being regarded as the standard of assessment upon payment of interest or profit.

Composite income tax as provided in the preceding paragraph shall be collected by the payer upon payment of interest or profits and paid to the Government by the 10th of the following month.

The provisions of Article 74 shall apply with necessary modifications in respect of the case of the preceding paragraph.

The provisions of Paragraph 6 of Article 24 or Paragraph 6 of Article 25 shall not apply in respect of a person who is not subject to the imposition of composite income tax except that which is provided in Paragraph 1.

ARTICLE 107

The amount of income tax on second-class incomes and the amount of interest tax on capital, which a trust company has paid [to the Government] as previously prescribed in respect of the trust property comprising the joint-operation-trust which it has accepted, shall be deducted from classified income tax on the profits accruing from the said trust as prescribed by Ordinance.

Income tax on second-class incomes and interest tax on capital, which are to be deducted in the case of the preceding paragraph, shall be included in the calculation of the profits accruing from the joint-operation-trust concerned in the calculation of Class A incomes from dividends and interest.

ARTICLE 108

As for the members and reserve members of an income investigation committee and the members and reserve members of an income reinvestigation committee, precedents shall be followed up to July 31, 1940 (15th Year of Showa).

ARTICLE 109

A person who was punished in accordance with the provisions of Articles 74 to 76 of the Income Tax Law in force prior to its revisions or the provisions of Articles 28 to 30 of the Business Profit Tax Law in force prior to its revisions shall neither elect a member or a reserve member of an income investigation committee nor be elected a member or reserve member of an income investigation committee, notwithstanding the provisions of Article 43, until five years shall have elapsed after the penalty was inflicted.

When a member or a reserve member of an income investigation committee has been punished in accordance with the provisions of Articles 74 to 76 of the Income Tax Law in force prior to its revisions or the provisions of Articles 28 to 30 of the Business Profit Tax Law in force prior to its revisions, he shall forfeit his office.

ARTICLE 110

Only in so far as the year 1940 (15th Year of Showa) is concerned, that which is referred to as "January 1" in Paragraph 1 of Article 24 and Paragraph 1 of Article 25 shall be "March 1," that which is referred to as "July 1" in Paragraph 6 of Article 24 shall be "August 1," that which is referred to as "March 15" in Paragraph 1 of Article 34 shall be "April 30," that which is referred to as "May 31" in Article 37 shall be "June 30," and that which is referred to as "from July 1 to July 31 of the year concerned" in Article 73 shall be "from August 1 to August 31 of the year concerned."

ARTICLE 111

No income tax shall be imposed on Buddhist establishments as referred to in Paragraph 1 of Article 35 of the Religious Organizations Law.

SUMMARY OF THE PROGRAMME FOR ECONOMIC CONSTRUCTION EMBRACING JAPAN, MANCHOUKUO AND CHINA

—Announced by the Cabinet Information Bureau on November 7, 1940—

Basic Purposes

Now that the fundamental national policy of establishing the Greater East Asiatic sphere of common prosperity, which aims at the construction of a new world order, has entered upon a new phase with the conclusion of the Three-Power Pact between Japan, Germany and Italy, the Government, at a recent session of the Cabinet Council, have decided on the Summaryof the Programme for Economic Construction Embracing Japan, Manchoukuo and China, with a view to coping with new developments in the situation, and intend hereafter to carry out national policies consistently in conformity with that fundamental national purpose. The objective of the new policy is to realize unprecedented progress in the Greater East Asiatic sphere of common prosperity based upon a comprehensive economic development of the three countries, in accordance with a new outlook on the economic order.

The world economic system of free trade resting upon the basic assumption that peoples and nations everywhere can freely exchange goods is in the process of disintegration. Accordingly, the Japanese system is also called upon to reorganize on a new basis discarding the old structure which is dependent on the old order. In this reorganization, however, Japanese economy must be made a higher, broader and stronger structure, capable of leading the peoples of East Asia to improve their living conditions and to find their respective places in the new world order. What is meant here by "higher" is that the power of life in possession of our nation must be made to create a higher productivity; by "broader" is meant that the sphere of mutual economic dependence must be extended from that of Japan, Manchoukuo and China to that of Greater East Asia and must be firmly established, and by "stronger" is meant that impregnable economic strength able to meet any situation must be maintained by keeping the extent to which Japanese economy is dependent upon other countries to a minimum. To this end suf-

ferings attendant on efforts of renovation must be overcome internally and any pressures and threats from outside be repulsed, by uniting all the forces and resources of the nation and by a determined will. Thus a new East Asiatic economic order under Japanese leadership must be established within about ten years. In this East Asiatic order alone, the economic system not only of Manchoukuo and China but also of other countries of East Asia can be expected to improve and develop to the highest extent.

Essentials of Basic Principles

For the purpose of realizing the task of constructing a new East Asiatic order and thereby ensuring the lasting peace of the world, the processes of the renovation of her internal structure and of the enlargement and organization of her living sphere must be brought into perfect unity. Her basic economic policies must accordingly be established upon the organized planning of the three following processes :

1. Perfection of the reorganization of national economy.
2. Organization and strengthening of Japanese-Manchoukuo-Chinese economy.
3. Enlarged organization of the East Asiatic sphere of common prosperity.

Basic Lines of Policy

1. The objective of the programme for economic construction embracing Japan, Manchoukuo and China is to establish a self-supporting, self-sufficient economic structure within about ten years, in order to strengthen the position of East Asia in the world economy by accelerating the construction of the East Asiatic sphere of common prosperity.
2. Guiding principles on which Japan is to undertake the economic construction programme embracing the three countries lie in the promotion of the general welfare in an ideal state of co-existence and common prosperity through the unitary cooperation of the three countries, in accordance with the high and broad spirit of *Hakko Itiu*.[1]
3. In order to expedite the economic construction Japan will endeavour to uplift the morale of the nation, renovate the internal structure, augment national strength while rendering assistance to

[1] The world as one family.

the economic reconstruction of Manchoukuo and China. For this purpose she will strive for the promotion of science and technique and undertake the development of pioneer industries.

4. Manchoukuo, being in an inseparable relationship with Japan, is expected to swiftly perfect and develop important basic industries.

5. China is expected to develop her resources and reconstruct her economic system in collaboration with Japan and Manchoukuo; in particular, progress in communications and transport services, smooth exchange of goods, and development of essential industries and resources are called for. Thus she is expected to contribute to the establishment of the East Asiatic sphere of common prosperity.

6. With a view to adjusting and accelerating the organized planning of economic construction embracing Japan, Manchoukuo and China the administrative machinery relating thereto shall be speedily perfected.

Practical Policies

In view of the fact that Japan, Manchoukuo and China constitute the backbone of the East Asiatic sphere of common prosperity, having thereby the duty to regulate economic relations on the basis of their closest union, the government have decided on essential policies in respect to spheres of industrial activity, labour, finance and banking, exchange, and communications and transport covering the three countries.

Spheres of Industrial Activity

In determining spheres of industrial activity, the conditions peculiar to the three countries and their respective phases of economic development should be considered, thereby effecting decisions from the comprehensive point of view and treating them as an organic whole.

Viewed in that light, Japan should hereafter strive for the promotion of the highest type of precision industry as well as mechanical industry while endeavouring to develop basic industries, such as the heavy, chemical and mining industries.

Manchoukuo is expected to make an epoch-making advance in the mining industry and in electrical undertakings. For the development of her heavy and chemical industries Japan is prepared to offer necessary assistance.

China is expected to develop her mining and salt industries and

to undertake large-scale production of raw materials. Since her natural conditions afford much room for the development of heavy and chemical industries, progress along that line is also expected hereafter.

The development of light industries on the Continent must be greatly promoted. In this connection, it is necessary that Japan should readjust her light industries, particularly the fibre and miscellaneous industries. Their removal to the Continent must be seriously considered.

With regard to agriculture in Japan, measures will be taken for the improvement of various systems relating to land, renovation of farm management, betterment and security of the living of farmers and ensuring of the staple food of the people as well as the maintenance of definite numbers in the farm population. Measures will also be taken, in this connection, for the steady development of fishery enterprises and for the rationalization, utilization and conservation of forest resources.

With regard to agriculture in Manchuria, in view of the position of that area as a base for the supply of foodstuffs and fodder for Japan, Manchoukuo and China, and as the source of supply to the world of special agricultural products, the increase to the fullest extent of agricultural production is expected. For the purpose of this development, the migration of Japanese agricultural settlers will be facilitated. In respect to agriculture in China, efforts for the assurance of the staple food of the nation must be made. The increase of the production of cotton and other staples is also urgent.

Labour

In order to hold a predominant position in world economy, the place of labour and technique will become increasingly important. For this purpose, their structure in Japan must be radically revised. Moreover, labour power available in each of the East Asiatic countries and regions must be enabled to make its contribution to the improvement of the whole labour force, thereby maintaining the superiority of the East Asiatic sphere in world economy. With this in view Japan intends to perfect a new structure in labour and technique, endeavouring to train and build up the bodies and minds of workers, to provide a thoroughgoing scientific education, to heighten the productivity of labour, and to train technicians and skilled workers. Thus the economic construction of Manchoukuo and China will be accelerated and assisted as required by the two countries ; Manchoukuo and China will be

supplied with technicians and skilled workers capable and necessary for their industrial development and economic construction. Needless to say, the two countries themselves have to train those types of men in view of the importance of technique. It is further required of Manchoukuo that she should plan not merely for the migration to and settlement in the country of labourers from North China but for the establishment of measures for the self-sufficiency of labour as well as the improvement of its management, in particular, in the mining industry.

Finance and Banking

With a view to expediting the construction of national-defence economy, the function of finance and banking also should be made to conform to the national purpose. In other words, it should so function that the materials required by the State may be ensured in quality as well as in quantity. In order to make possible the execution of an industrial programme embracing Japan, Manchoukuo and China, the distribution of capital must be determined according to an organized plan and a system equal to that task be set up. In that connection, there must be perfected a financial mechanism facilitating the storing of staple goods, in keeping with the progress of technique, along with the creation of spheres of industrial activity, and with changes in industrial equipment. Capital required for the three countries must of course be supplied by their own accumulation. To this end measures must be taken by the three countries for the increase and efficient utilization of such accumulation. With regard to capital necessary for the development of essential industries, Japan is prepared to give assistance in its supply. And the relationship of mutual assistance in international settlements should be established between the three countries as their economic relations become increasingly closer.

Exchange

In respect to exchange in the coming new world order, the principle of commercial trade of the past must be revised to a considerable extent; there must emerge the principle of productive trade, which enables each country, region and economic sphere to supply to others goods required by them in exchange for the goods necessary for its own planned production; and which regulates trade between those countries and regions, not to speak of that between Japan, Manchoukuo and China, in such a manner as will create a mutual, unitary relationship. In so doing, a special agreement for payments between those countries and regions will be required, with

a view to facilitating the closer flow of goods between them.

Communications and Transport

With the closer flow of goods between Japan, Manchoukuo and China as well as between the regions in the sphere of common prosperity, systems of communications and transport between the three countries must be perfected and operated by a comprehensive and organized plan, thereby ensuring the security of the whole of the sphere. Accordingly, the connection between land and sea transport services of the three countries must be expedited ; a large-scale increase in shipping, control of and connection between air lines, as well as the perfection and extension of electric communication facilities, must be planned.

PROGRAMME FOR LAND DEVELOPMENT

BOARD OF PLANNING

FUNDAMENTAL national policies announced by the Government on August 1, 1940, provide for "the establishment of land development plans designed to enhance the total national strength and including Japan, Manchoukuo and China." This programme, after lengthy investigation by the competent authorities centred around the Board of Planning, was approved by the Cabinet on September 24, and is explained herewith in outline.

The land development programme envisaged includes comprehensive plans for the conservation, utilization and development of land and resources, a project which had been advocated for many years. Shinen Sato (1769-1850), a noted agricultural economist of the Tokugawa Period, treated the issue in his "Length and Breadth of the Land," calling attention to the far-reaching consequences of such an enterprise. For reasons to be explained herein, land development has come to the fore now as an essential item in basic national policies calling for prompt attention.

Urgency of the Plans

The construction of a new order in East Asia, which calls for close collaboration between Japan, Manchoukuo and China, is solely dependent on a concrete scientific programme for all three nations, particularly in connection with industrial economy, communications and transportation. Such a programme also calls for thoroughgoing land development plans. Vast changes in urban and rural populations, as a result of the sudden concentration of factories in the larger cities in the expansion of productive capacity, have given rise to considerable problems in housing and transportation, health and hygiene and air defence. Nor can the potential harm to farms and forests be minimized as a result of the migration of numbers of people to urban centres. Measures for controlling such movements under a definite programme consequently have become most urgent.

It is true that plans for the proper distribution of cities throughout the country, for localizing industries and controlling agricultural production, have already been made and applied in part. A comprehensive programme for coordinating and unifying all such plans, however, has never been completed, with the result that they have

been executed with but moderate efficiency. To overcome this deficiency and to provide a planned and unified objective for various national policies is the purpose of the land development programme.

Recent developments in world affairs indicate the possible formation of three major blocs of nations, Europe under the leadership of Germany and Italy, the Americas under the United States, and a northern area under the Soviet Union. In order for the nations and peoples of East Asia to maintain their own integral life in the face of the conflicting interests of these three potential groupings, it is necessary for them to form a sphere of common prosperity centred around Japan, Manchoukuo and China as a nucleus and including the South Sea region. For the establishment of this new order in East Asia as a component part of the new world order, the three nucleus countries must strengthen their national defence structure, for which a land development programme must be designed. In other words, the programme must cover China and Manchoukuo and take a long-range viewpoint of the future destiny of our own country. It should rearrange comprehensively the relationship of industry, communications, transportation and culture with the distribution of population in such a manner as to fulfill the requirements of national defence and to plan for the coordinated utilization, conservation and development of land. Every possible and practical measure under the current emergency must be employed under a single, consistent land development programme.

Method of Operation

The distribution of industries and population forms the centre of the land development programme. There is a plan for the distribution of heavy, chemical and light industries under principles which specify which kinds of industry shall be promoted to what extent in different parts of Japan and Manchoukuo, thereby establishing definite industrial zones.

In agricultural planning, such questions as the extent to which self-sufficiency in the supply of foodstuffs can be assured and a rational distribution of farm produts by areas will be studied in particular. Similar planning will be applied to fisheries and forestry. In mining, distribution will be planned according to the possibilities of developing the mineral resources of each particular area.

All economic planning is aimed at ensuring to the fullest extent a self-sufficiency in foodstuffs, war materials and other vital commodities by the development of resources in the East Asiatic sphere of common prosperity, in order to reach the highest level in the world

economic order. In this connection, however, it should be noted particularly that the land development programme must not regard land simply for materialistic utilization and development but also as an object for such national sentiment as will give the greatest amount of satisfaction in its development.

The distribution of population covers plans for the redistribution of cities, for the functional distribution of people by areas and a comprehensive migration plan for all three countries. The latter does not necessarily imply compulsory migration, but rather it seeks to induce a natural population movement with the planned distribution of industries, cultural and welfare facilities under a definite programme with a particular ideal in view. The programme presupposes a complete plan covering all phases of communication and transportation as well as power supply.

Planning in communication and transportation is twofold: the perfection of the transportation and communications systems in East Asia and also those in Japan and its overseas territories, which will permit unified control of these services by land, sea and air. The power programme necessarily must include the problem of fuel supply, and viewed fundamentally, plans for the conservation and improvement of waterways and forests must not be overlooked.

In working out the land development programme, it is most important to place particular stress on the coordinated distribution of industries and population, always keeping in view their organic relationships with communications, transportation and power supply. It is needless to add that air defence plans also must be accorded full consideration. Still another vital matter is the necessity for maintaining a dynamic rather than a static attitude in drafting plans and making surveys, so that the authorities concerned may be prepared at all times to adapt themselves to changing circumstances.

The proposed programme may be divided into two major parts: one embraces Japan, Manchoukuo and China and the other may be called a "central plan." The former will serve as a basis for planning in all three countries in formulating and carrying out their respective plans. The latter applies to Japan, based on the tripartite programme, and will apply to Japan proper and its overseas territories, making them a unified whole. In formulating the central plan, comprehensive nation-wide planning is essential for the utilization and development of land in conformance with national requirements and with a view to the full development of the characteristics peculiar to different localities. This central plan will serve as a guide for the projects to be undertaken by various

Departments of the national Government as well as by local governments, some of which will be executed directly by the Departments immediately concerned.

Agencies for Execution of the Programme

The land development programme will be under the supervision of the Prime Minister, with the Board of Planning directly responsible for its administration. A Commission on Land Development Plans will be set up as a formal Cabinet agency, acting as an advisory board in the formulation and operation of the programme.

Various Departments will participate in the formulation of the programme, engaging in investigation, planning and execution. In enforcing the programme, the Prime Minister must be in a position to exercise the necessary authority over undertakings of the various Departments. Local projects also will be under the general control of the Cabinet.

In this momentous time of world upheaval, which is the inevitable result of an impasse in civilization arising from the self-contradictions of a *laissez faire* economy, mercenary spirit and materialistic individualism, there must emerge a new and better order of economy. And it can be only planned economy, which permits the wholesale control of economic activities, such as the utilization, exploitation and mobilization of resources and labour as well as of capital and technique, in accordance with national needs. Even in countries like Great Britain and the United States, where liberal principles prevail in politics and economy, plans similar to the land development programme are under study.

When this programme is fully established, the distribution of population as well as industrial, economic, communications, transportation and cultural facilities will be organized by planning, and national policies certainly will be promoted and executed under coordinated control. Once the basic formula for the national economic construction is determined in the light of this land development programme, many current industrial and economic issues will be found susceptible to easy solution.

THE 50TH ANNIVERSARY OF THE IMPERIAL RESCRIPT ON EDUCATION[1]

DEPARTMENT OF EDUCATION

THE year 1940 is of twofold significance to the Japanese Nation, for it is the 26th centennial of the founding of the Empire, and the 50th anniversary of the issuance of the Imperial Rescript on Education, in which the Emperor Meiji set forth the important precepts of the Imperial Ancestors and the basic principles of Japanese education immutable for all ages. In view of the fact that Japan is now undertaking, amid world-wide disturbance and turmoil, the high and gigantic task of constructing a new order in Greater East Asia as an integral part of the programme for establishment of the lasting peace of the world, the principles inherent in the life of this nation and its ideals and traditions should be further clarified, thereby demonstrating to neighbouring peoples, as well as to the rest of the world, the true character of our Empire.

The great strides that Japan has made in every field of national life in little more than three-quarters of a century following the Meiji Restoration are amazing. Yet she has not always found herself on an easy road. Even in the Meiji Era she passed through more than one crisis in her domestic affairs and foreign relations, not to speak of the two great wars with China and Russia.

Since the Meiji Restoration our people had been too much intent on introducing Western culture and institutions, with a delusion that indiscriminate adoption of European ideas, customs, and manners would promote the advance of civilization. The tendency was aggravated by the undue importance attached to the policy of amity as a means of facilitating the revision of the unequal treaties which had been concluded by the Tokugawa Shogunate. This brought about what has been called the mania for Europeanization. Some even thought nothing of throwing away many of the beautiful features peculiar to Japanese national life and the time-honoured customs bequeathed by our forefathers. Naturally enough, however, this Euromania gave rise to a reaction in a movement for the return to the old traditions and the preservation of national characteristics against the prevailing craze for Europeanization. This was the manifestation of national consciousness in opposition to the flood-

[1]The full text of the Rescript is printed on the following page.

IMPERIAL RESCRIPT ON EDUCATION

Know ye, Our subjects:

OUR Imperial Ancestors have founded Our Empire on a basis broad and everlasting and have deeply and firmly implanted virtue; Our subjects, ever united in loyalty and filial piety, have from generation to generation illustrated the beauty thereof. This is the glory of the fundamental character of Our Empire, and herein also lies the source of Our education. Ye, Our subjects, be filial to your parents, affectionate to your brothers and sisters; as husbands and wives be harmonious, as friends true; bear yourselves in modesty and moderation; extend your benevolence to all; pursue learning and cultivate arts, and thereby develop intellectual faculties and perfect moral powers; furthermore advance public good and promote common interests; always respect the Constitution and observe the laws; should emergency arise, offer yourselves courageously to the State; and thus guard and maintain the prosperity of Our Imperial Throne coeval with heaven and earth. So shall ye not only be Our good and faithful subjects, but render illustrious the best traditions of your forefathers.

The Way here set forth is indeed the teaching bequeathed by Our Imperial Ancestors, to be observed alike by Their Descendants and the subjects, infallible for all ages and true in all places. It is Our wish to lay it to heart in all reverence, in common with you, Our subjects, that we may all thus attain to the same virtue.

The 30th day of the 10th month of the 23rd year of Meiji.

(Imperial Sign Manual. Imperial Seal.)

tide of Western civilization surging upon these shores. But most of the followers of the movement were too eager to exclude the westernizing influence to appreciate the genius of the Japanese people for assimilating anything good in other cultures and creating and developing their own, and were often too bigoted and narrow-minded. The nationalistic and Westernizing influences were opposed to each other, evoking much controversy and causing agitation in the popular mind. Thus in the middle of the Meiji Era our nation had no definite principle to pursue, in order to guide effectively public thought.

The Emperor Meiji, who had long been anxious for the progress of moral education, issued the Imperial Rescript on Education on October 30,1890, in which were set forth the fundamental principles of education based upon our national character and the moral duties of the subjects. The people were thus given unshakable guiding principles for their national life, and in them true national consciousness revived. Indeed, once the Rescript was issued the whole nation became obedient to the Imperial will, and turned to it with eagerness. Since then it has become the sole and ultimate object of education in Japan to pursue the basic principles inculcated by the Rescript, and the educationists have been enabled to strive unwaveringly for the achievement of this objective.

Practice of the Imperial Precepts

The Rescript sets forth, as has been stated, the teaching bequeathed by the Imperial Ancestors and the virtues to be cultivated alike by their Descendants and subjects, which are, as the great Emperor declared, " infallible for all ages and true in all places." Through the practice of those precepts the lives of the one hundred million subjects of the Japanese Empire can be coordinated for the guarding and maintaining of the Imperial Throne coeval with heaven and earth, and herein consists the fundamental principle on which is based the duty of Japanese subjects to assist the Throne.[2]

It is reassuring that the present hostilities and the great task of constructing a new East Asia have proved a valuable stimulus in awakening our people to what is truly and characteristically Japanese. The present situation has clearly proved that the imperishable Japanese spirit which our forefathers have shown every time they were faced by a national crisis is still keenly alive.

In May last year when reviewing over thirty thousand students

[2] For reference see an article entitled " National Movement for Assisting the Throne " in the November issue of TOKYO GAZETTE.

representing the secondary and higher schools and colleges throughout the Empire, His Majesty was pleased to grant them a Message pointing out the weightiness of the responsibility they were called upon to bear and ordering them to discharge their duties faithfully. Further in October this year His Majesty paid a visit of inspection to the Imperial University of Tokyo. This reminds us of the similar concern shown about educational matters by the Emperor Meiji, who also honoured the same institution with a visit during the Russo-Japanese War and afterwards gave a gracious Message to the Minister of Education, enjoining that education should be zealously conducted even in time of war and that those who were engaged in it should be the more assiduous in their work.

In the Rescript on Education the Emperor Meiji himself sets an example of obedience to the teaching bequeathed by the Imperial Ancestors, for He states in conclusion: "It is Our wish to lay it to heart in all reverence, in common with you, Our subjects, that we may thus attain to the same virtue." The semi-centennial of the issuance of the Rescript is an occasion appropriate for the nation to renew their conviction in the basic principles of Japanese education and strengthen their determination to further the cause for which Japan stands, in obedience to the Imperial will.

AGRICULTURE IN CHINA

CABINET INFORMATION BUREAU

IN the three and a half years of the conflict with China, the Japanese Army has come to occupy approximately one-third of that country, extending from Hainan Island in the south to the Mongolian Provinces in the north. This vast area includes a fertile rice zone in Kiangsu and Chekiang, two provinces which make the Chinese boast that "so long as these provinces raise bumper crops, starvation will never threaten." In view of the importance attached to the occupied area as an agricultural zone, it is most pertinent that agricultural China should be re-studied from a new point of view as an integral part of the Greater East Asiatic sphere of common prosperity, the establishment of which forms the basic national policy of Japan today.

In the initial stage of the conflict the devastation of land caused by the extension of hostilities and also the shortage of labour caused by the desertion of the farm population considerably reduced the productivity of small-scale farming, which is the characteristic form of Chinese agriculture. In addition, disastrous floods increased the possibility of famine. With the restoration of peace and order in the occupied area, however, such difficulties have been overcome, rendering possible the rehabilitation of rural communities, the stabilization of the life of their people, and the development of agricultural resources—a state of affairs which has been brought about by the new Central Government in their policy of creating a new order in Chinese agriculture. Since the agricultural population constitutes the backbone of new China, an established agricultural policy which is steadfastly carried out is a matter of urgent necessity. In order, therefore, to appreciate the measures taken along this line by the new Government with Japanese assistance, the structure and peculiarities of Chinese agriculture must be looked into first of all.

Peculiarities of Chinese Agriculture

Chinese agriculture bears the following distinct characteristics of its own: (1) semi-feudalistic high rent with payment in kind as a rule; (2) farm management conducted on an exceedingly small scale; (3) low agricultural productivity; (4) prevalence of rural usury; and (5) lack of technical means of overcoming natural

adversities.

The factors contributing to the growth of these peculiarities are many, of which the most outstanding is that China has been made completely a market for Western Powers, thereby checking any normal growth of its industries and keeping the greater part of the farm population in the doldrums almost permanently. Even when farmers have attempted to migrate to towns or cities, they have perforce been reduced to the precarious existence of the coolie class, which is a new labour force in Chinese urban life. Thus the liquidation of feudalistic economy in the agricultural sphere has been retarded. Moreover, the Chiang Kai-shek régime has failed to carry out any agricultural policy of a positive nature, while feeding itself upon the reckless exploitation of the farmers to the verge of their exhaustion. In Table 1 the percentage of farmers with reference to their tillage, which will make clear the extent to which Chinese agriculture has been operated on a small scale, is given.

TABLE I

Area	12 provinces in North 447 *hsien*	14 provinces in South 444 *hsien*	Whole Country 891 *hsien*
	P. Ct.	*P. Ct.*	*P. Ct.*
Less than 5 *mou* ...	27.1	25.7	35.8
5 to 10 *mou*		23.8	
10–15	21.5	17.6	25.2
15–20		13.4	
20–30	16.8	10.0	14.2
30–40	13.1	6.1	16.5
40–50	10.0		
50–100	7.2	3.4	8.3
more than 100 ...	4.3		

(Based on the China Economic Year Book for 1936. In this Table 1 *mou* is equivalent to approximately .15 acres.)

With regard to the area under cultivation per family in 17 provinces of North, Central and South China, the highest figure is 32 *mou* in Shanhsi, and the lowest 12 *mou* in Hunan Province, the average being 18 *mou*. Of course, southern provinces, where profitable paddy fields of several crops prevail, cannot be compared to northern provinces with a preponderance of dry farming. The smallness of scale in farming can be inferred from the fact that the minimum area under cultivation for feeding one family is about 20 *mou* or so. As is shown clearly in Table 1, peasants owning extremely small plots under cultivation and farm hands hired by others

constitute the bulk of the farm population throughout South and North China. They form the so-called agricultural masses. Although their lot is hard and their work miserable, the existence of these peasants has an important bearing upon the national and social life of China.

With regard to the payment of farm-rent, the most popular method is a profit-sharing system. Also there is a system of payment in kind. Payment in money, usually to the extent of 30 or 40 per cent of the crops, however, is practiced least. Table 2, compiled by the Accounting Bureau of the Nationalist Government, embodying a survey of 23 provinces (including Manchuria), shows that relation clearly.

TABLE II

System	Land under Cultivation	Superior	Medium	Inferior
Profit sharing	paddy fields	51.5	48.2	44.9
	dry fields	47.8	45.3	43.7
Payment in kind.....	paddy fields	46.3	46.2	45.8
	dry fields	45.3	44.6	44.4
Payment in money.....	paddy fields	10.3	11.3	12.0
	dry fields	10.5	10.9	12.0

(In this table figures for the systems of profit sharing and payment in kind are in per cent of crops and for those of payment in money in per cent of land value.)

What is shown above is the normal farm-rent, which is usually accompanied by various unfavourable terms such as *yatsu* (pawn rent) and *futsu* (collateral rent). These accessory charges are evidently extortions tending to undermine agricultural productivity in China. The prevalence of usury in Chinese rural communities can be understood by the fact that 56 per cent of the farmers in debt borrow in money and 48 per cent in crops; the bulk of their creditors, 80 per cent, are private persons such as landlords, wealthy farmers, merchants or business firms, as well as pawn brokers and money exchangers. It is no exaggeration to say that 95 per cent of the entire farm population are in debt. The interest rate ranges from 20 to 40 per cent per annum. Needless to add, under such adverse conditions, Chinese farmers can ill afford to operate an independent enterprise. Nor is it any wonder that the productivity of Chinese agriculture is extremely low. The average crop harvest from a given plot in China is known to be about one-third that of Germany or one-half that of Japan. Crop harvests from a hectare of land in leading countries is given in Table 3.

TABLE III

Country	Wheat	Rice	Barley	Maize	Tobacco	Cotton
China	7.3	18.9	8.1	9.7	9.2	1.9
Japan	16.9	35.9	19.2	—	—	—
India	6.7	14.9	—	—	—	0.9
Soviet	7.6	—	8.2	—	15.5	—
U. S. A.	9.7	22.7	13.9	15.8	8.4	1.7
Germany	21.4	—	winter 23.6 spring 20.0	—	—	—
Average	9.6	15.7	11.5	15.7	7.9	1.5

(Per hectare average for three years, 1928–1930. Figures are in kilogrammes.)

Agricultural Policy of the New Government

From the foregoing review, the probable orientation of the new Government in agrarian reconstruction can be envisaged, particularly as compared with the helplessness that characterized the Chiang Kai-shek régime in facing the impoverishment and exhaustion of the farmers, which was the outcome of its policy of leaving the productive power of agriculture in stagnation. It means that unfavourable natural conditions besetting Chinese agriculture must be overcome by means of modern technique, and that the farmers must be emancipated from social and economic forces restraining the full development of their productivity.

On the other hand, the problem of agricultural development in China comprises two phases: the problem of developing farm products such as cotton, wool and tobacco, in conformity with a comprehensive economic policy embracing Japan, Manchukuo and China; and one relating to silk and tea, the production of which stands in competitive relation with Japanese agriculture. Accordingly, the new Chinese Government is taking appropriate measures for positive, rational development of agricultural resources in close cooperation with the two neighbouring Governments. In the meantime, they are counting in a large measure upon the material and technical assistance coming from Japan. In the following, the state of development of agricultural resources in different parts of China and governmental measures being carried out for its promotion are reviewed by regions.

North China

Roughly speaking North China is an agricultural region. Its

staple products include wheat, millet, and *kaoliang;* cotton, peanuts, maize, tobacco, soya beans, and sugar beets are also among the noted products. The principal product, however, is wheat, with an annual production in three provinces prior to the China Affair, amounting to 135,901 piculs[1] with *kaoliang* accounting for 84,414 piculs. Of recent years, this part of China has had to depend upon the importation of foodstuffs from outside. This appears rather strange, in view of the fact that Chinese farmers in North China comprise 70 or 80 per cent of the total population. The peculiarities of Chinese agrarian structure already referred to, however, will explain this anomaly.

The importation of wheat flour is estimated at 18,000,000 sacks out of the total 36,000,000 sacks for general consumption; while 1,000,000 *koku*[2] of rice out of the total demand amounting to 3,000,000 *koku*, as well as 400,000 tons of other cereals, are imported—a situation indicative of the urgency of working out adequate policies for ensuring and increasing the food supply in North China. Accordingly, the North China Political Affairs Commission, that is, the former Provisional Government in Peking, has carried out immediate measures for rehabilitation and, at the same time, has adopted the following as measures for coping with the agrarian problem in a fundamental way:

1. Establishment in various localities of agricultural experimental stations and agencies for the improvement of cotton and enlargement of the North China Industrial Scientific Research Institute.
2. Emancipation of Chinese farmers from old social and economic shackles through the popularization of agricultural cooperatives.
3. Planning public works on an extensive scale, aiming at the relief and development of rural communities.
4. Improvement of waterways as related to agriculture, commencing with the conservancy works of the Yellow River and the repairing of other rivers.

Assisted by the Liaison Bureaus of the China Affairs Board, Corps for Rehabilitation and Enlightenment and other Japanese agencies, such undertakings are steadily carried on with an appreciable measure of success. Above all, the plan for increasing the production of cotton is being energetically carried out in expecta-

[1] A Chinese measure of weight equal to 133.3 lbs.
[2] A Japanese measure of capacity equivalent to 4.9629 bushels.

tion of an increase in 8 years to 10,000,000 piculs. For this purpose, Japan is giving, besides the material and technical aid to the North China Cotton Production Improvement Association and the North China Experimental Station, assistance by distributing superior seeds as well as providing guidance in the methods of fertilizing the soil, in the prevention and extermination of pestilence and harmful insects, and in the improvement of land. It will certainly form one of the basic factors in establishing the Greater East Asiatic economic bloc.

Mongolian Provinces

In consideration of natural conditions obtaining in that part of the border provinces as well as from the point of view of the East Asiatic economic policy, the Mongolian Provinces have mapped out a programme of augmenting the production of livestock, especially that of sheep. With respect to an agricultural policy in the narrow sense, however, the Government there takes a negative attitude. Measures being carried out in these provinces can be summarized as follows :

1. Land policy : A modern system of land tenure will be established, thereby ensuring private ownership of land, while prohibiting its free disposal. All land will be put under a license system, subject to the control of local authorities or the Mongolian Government Provinces. Various customary rights for the use of land will be kept intact and respected.
2. An increase in production of hemp and fodder will be secured as war supplies.
3. Superior seeds of various agricultural products will be distributed ; agricultural experimental stations will be set up ; technicians will be invited from Japan ; and funds for spring-time cultivation will be loaned.
4. Live-stock policy : Mongolia has been known for ages for its livestock. This special type of agricultural industry has been the mainstay of Mongolian industries. Although it has gradually declined on account of the ill-advised administration of the Chiang Kai-shek régime, the outbreak of the China Affair has given impetus not only to its revival but to its promotion. The Mongolian Government has accordingly launched a positive drive for the increase of pastoral production. As a result, sheep-breeding, wool-clipping and wool-processing have been improved ; pastures have been secured ; agricultural experimental stations have been set up ; and winter

camping stations have been established with a view to preserving fodder for the winter season. Thus it will not be long before the Mongolian Provinces become a base of wool supply for Japan.

Central China

The Yangtze Valley, which covers the Provinces of Kiangsu, Chekiang, Anhui, Kiangsi, Hupei and Hunan, being favoured by nature, abounds with farm products. And paddy fields in these provinces generally give two crops. Rice is the staple product, other products being silk, cotton, tea, wheat, barley, pig's bristles, skin and leather.

In the early stages of the hostilities, fierce battles were fought in this important part of China, with consequent ruthless havoc. Following the establishment of the Renovation Government in Nanking, however, a rural rehabilitation plan was put into immediate execution, carrying out an agricultural survey and relief work for refugees. When the new Central Government returned to its seat, Nanking, the administrative machinery was perfected, thereby enabling it to formulate and put into force a definite agricultural policy. Thus, by Japanese aid the following programme is already under way: (1) establishment of agencies for improving the cotton industry; (2) radical improvement of the sericulture industry; (3) extension of the cooperative system; and (4) establishment of other technical research and survey institutes. The Huachung Silk Reeling Company is operating in that industry under the direction of the Central China Promotion Company. It has been engaged in the distribution of select breeds and in giving guidance in silkworm culture.

South China

Taken as a whole, South China is mountainous, the only plains accessible being in the delta zone of the lower reaches of the Pearl River. Accordingly, farm products like rice, silk, soya beans, sugar cane, peanuts, millet and maize are produced only in this zone. South China as a whole has not reached a stage of self-sufficiency in the supply of food. In point of the output of rice, however, it accounts for 25 per cent of the entire rice production of China, while that of tobacco and peanuts represents 17 and 11 per cent respectively of their total production. Other products are only 1 or 2 per cent of the total China output. In these circumstances no

agricultural policy worth noting has as yet been employed by the new Government.

Hainan Island

The farmland under cultivation in Hainan Island is less than 100,000 *cho*.[3] The technical level of agriculture there is extremely low. No irrigation system is provided; even the area under cultivation has to be changed from one place to another in order to find water. Rice has two or three crops per year, falling, however, far short in output of one crop in Japan. Rice, sugar cane, rubber, cocoanut palm and hemp are produced in negligible quantities. Since, however, peace and order prevails and nature is not parsimonious but luxuriant, any programme of planned development, if persistently carried out, will certainly bear abundant results.

[3] A Japanese measure of area equivalent to 2.4507 acres.

REVISIONS IN THE ORDINANCE PERTAINING TO CONTROL OF PRICES, ETC.[1]

CABINET INFORMATION BUREAU

THE Ordinance Pertaining to Control of Prices, Etc., promulgated in pursuance of the Provisions of the National General Mobilization Law had been in force since October 20, 1939, and, proved fairly successful in controlling prices. Since it contained provisions known as the price suspension of September 18, the effective period of which was to expire on October 19, 1940, the recent revisions have authorized the extension of the period of its operation for another year, with a view to maintaining the stability of prices thus far achieved, and perfecting and enlarging the provisions concerning official prices, in the light of results obtained in the experiment of the past year.

As a matter of fact, the Government have made every endeavour, during the period, to simplify the standards of commodities and to establish official prices. Thus the prices fixed by the designation of the Department of Commerce and Industry and of the Department of Agriculture and Forestry have covered 40,000 articles. When those designated by prefectural governors are included, the list will cover 100,000 articles.

As commodities coming under the measure are large in number and varied in kind, it has been found impossible to cover in such a short space of time the whole range of prices. The Government have decided, therefore, to extend the period of operation for another year, in the course of which they would strive for the speedy determination of official prices for those articles left without control and in rectifying disparities in the September 18 prices. For this purpose, "October 19, 1940" in Article 18 of the original Ordinance providing for the effective period of this Ordinance was changed to "October 19, 1941," and this is the most important revision.

Designation by Prefectural Governments Abolished

Other major revisions will be explained in the following, begin-

[1] For the full text of the original Ordinance, see the November, 1939, issue of TOKYO GAZETTE.

ning with one relating to Paragraph 3, Article 2. The following proviso is added to that Paragraph :

> Provided that in cases where prices prescribed by Cabinet Ordinance are difficult of determination, the administrative authorities shall determine them upon application by recipients[2] of said prices, and the prices thus determined shall be the amount of the designated day.

To date the practice was that in case prices on September 18, 1939, or the designated day were difficult of determination, they were determined by the so-called September-18 prices, in accordance with Paragraph 2, Article 3 of the Regulations Governing the Operation of the Ordinance pertaining to Control of Prices, Etc. : "In cases where prices referred to in each clause of the preceding paragraph are difficult of determination, prefectural governors (the competent Minister in case he made the particular decision) or juristic persons or organizations designated by the competent Minister may determine their amount upon application by recipients of said prices." Consequently, prices of seasonal products and novel articles are difficult to determine as they are not provided for in the list of the September-18 prices and they have been determined by prefectural governors or juristic persons or organizations designated by the competent Minister on application by recipients of prices. In many cases, the legal validity of price determination by the governors and organizations has been questioned ; it has been contended that no determination of this character could be legally valid, and the prices determined by them should have significance only as material for reference by the administrative authorities. The interpretation was that designated prices were something actually adhered to by local authorities and to be adhered to by both the payers and recipients of prices. There ensued many difficulties, however, in the official supervision of prices, and also in the settlement of transactions among dealers themselves. The present revision has cleared up all possible legal ambiguities of the past in that Paragraph 2, Article 3 of the Regulations governing operation of the Ordinance is rescinded, in that prices are to be designated by the administrative authorities upon application thereof by sellers, and in that the prices thus designated are deemed to be the September-18 prices. The task of designation, in principle, is assigned now to the competent Minister alone, which means that no prefectural authorities nor associations will be authorized hereafter to designate prices.

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[2] In cases where contracts for transaction are concluded, the term refers to the sellers.

Control by Commodities

As Article 6 (2) new provisions have been added to Article 6, which read as follows :

> With regard to the prices, etc. of special categories of articles designated by the competent Minister the recipients of the said prices, etc. shall obtain the permission of the administrative authorities in respect of their amount, as prescribed by Cabinet Ordinance. In such a case, prices, etc. shall not be contracted, paid or received in excess of such amount, notwithstanding the provisions of Articles 2 to 4.
>
> The provisions of the preceding paragraph shall not affect those contracts which exist at the time of designation if they fall within the purview of any one of the numbers mentioned in the proviso to Paragraph 1 of Article 2 at this time.
>
> In respect to the designation by the competent Minister as mentioned in Paragraph 1, it shall be prescribed by Cabinet Ordinance.

As a matter of fact, these provisions imply the adoption of a permit system of prices. Prices of ordinary commodities are prescribed by Article 7 as the official prices. It is not easy, however, to set up official prices for special categories of commodities marked with distinct individuality such as machinery of special construction and functions, machinery for synthetic oil, and for chemical industries. Hence a permit system is adopted for the sales prices of such commodities. That is, in case these special commodities are sold or purchased, permission must be secured in advance from the competent Minister as to their salesprices. No prices of the said articles may be contracted, paid or received in excess of the approved prices—prices permitted by the authorities.

This may be defined in a way as a system of official prices by commodities. Certainly it is a special system. The competent Minister is accordingly charged with the duty of designation of such commodities as come under the provisions. When sellers apply for permission of sales prices of designated special commodities, the competent authorities will speedily decide each case on recommendation by the Expert Commission.

In this case, in virtue of the provisions that "notwithstanding the provisions of Articles 2 to 4," not the September-18 but the approved prices will be applied from the moment when such prices have been approved as previously mentioned. Paragraph 2 of Article 6 (2) mentioned in the foregoing is a saving clause. It says in effect that this provision shall not apply in case the delivery of the object has been completed or the producers have already commenced production, at the time special articles were thus designated.

Application to Cereals, Fertilizers, Sugar, Etc.

The third major revision concerns Number 1, Article 12, the article providing for prices other than those subject to the Ordinance; and Number 1 of the said Article, prior to the present revision, stood as follows: "Exchange quotations prevalent at the exchange or at such rice markets as are established and conducted by the Nippon Beikoku Kabusiki Kaisya[3] or the Tyōsen Beikoku Sizyo Kabusiki Kaisya."[4] The revised provision reads: "Exchange quotations prevalent on the cocoons, silk, cotton or cotton-tissue exchanges."

Before the revision, exchange quotations at the exchange were left perfectly free. After the enforcement of the old Ordinance for one year, however, it was found that black-marketing was thus encouraged in consequence outside the exchange, when purchases of cereals, fertilizers, and commodities which should have been subject to price control were freely transacted. In the light of such past experience, the said provision has now been so revised that in respect of cereals, fertilizers, sugar, etc., except cocoons, silk, cotton and cotton tissue, it is made to apply, even in cases where sales are transacted on the exchange.

As regards negotiable instruments, since no provisions relating to price suspension or official prices as applicable to them are found in Articles 5 and 7 of the present Ordinance, their exchange quotations on the exchange are free.

Exceptional Cases of Permission

With the extension of the duration of price suspension, questions arise as to the legal validity of prices hitherto accepted as exceptions, subject to approval of the administrative authorities, prices in excess of those of September 18. This has been clarified by the supplementary provisions, extending the effective period for another half year. In case the extension of another half year is deemed too long, however, the administrative authorities are authorized to reduce further the duration of such a period. The revised provisions read:

> When the permission of the administrative authorities mentioned in the proviso to Paragraph 1, Article 2 or the proviso to Paragraph 1, Article 7 of the present Ordinance pertaining to Control of Prices, Etc. expires on October 19, 1940, it shall remain effective until April 18, 1941, except in cases where other disposition has been effected by the competent administrative authorities.

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[3] The Japan Rice Company, Limited.
[4] The Korean Rice Market Company, Limited.

CONCERNING CONTROL OF WAGES[1]

DEPARTMENT OF WELFARE

THE Ordinance Pertaining to the Control of Wages and the Ordinance Pertaining to Temporary Measures Concerning Wages were instituted in March and June, 1939, respectively, in accordance with the provisions of the National General Mobilization Law, for the purpose of checking a further increase in workers' wages and of adjusting them rationally and properly under the current emergency. The former Ordinance was applicable only to factories and mines, and the initial wages of inexperienced workers are fixed even today by virtue of its provisions. The latter Ordinance has been enforced to provide for measures to fix prices, freight, storage, premiums for insurance against loss, or rentals as well as to restrain a general rise of wages, with a view to rendering the price stabilization policy sufficiently effective. The Ordinances were to remain in force for one year, that is to say, until October 19, 1940.

The rapid increase in wage levels has been successfully combatted so far by the above-mentioned measures. The objective of wage control, however lies not only in holding back the advance of wage levels but also in augmenting labour efficiency by the stabilization of workers' livelihood, as well as in coordinating the relation between the demand and supply of labour. With that purpose in view, the revised Ordinance is instituted on the basis of the aforementioned two Ordinances.

Scope of the Revised Ordinance

The Ordinance pertaining to Control of Wages of March, 1939, was applicable only to workers in the factories and mines, as provided in the Factory Law, while the Ordinance pertaining to Temporary Measures concerning Wages was extensively applied to workers engaged in various enterprises connected with the production and distribution of commodities, including those employed in agriculture, forestry, fisheries, civil-engineering, communications and transport, and commercial undertakings.

The new Ordinance provides, as in the Temporary Measures Con-

[1] See for reference the full text of the Ordinance printed in the February, 1940, issue of TOKYO GAZETTE.

cerning Wages, for the control of the wages of all the workers engaged in undertakings of every description.

Formulation and Report of Wage Scales

For the effective control of wages it is imperative that the basis of computation of wages should be made clear, and known to the workers on the one hand and reported to the administrative authorities on the other, so as to forestall labour disputes which may otherwise arise and to facilitate the competent authorities in their task of supervision. Hence, the revised Ordinance requires employers having a permanent force of 10 or more workers to formulate wage scales and to make entries in proper forms of various items relating to the payment of wages. The wage scales thus formulated should be communicated to the workers in their employ either by notice boards or some other proper means, and be reported to prefectural governors within 14 days after formulation.

Restrictions on Wage Systems and Wage Payment

Wage control may be considered from two aspects : the sum and the system of wages. Systems of wage payment, such as piece-work and an additional payment for encouragement, though stimulating in many ways, are apt to increase sickness, absence from work or accidents. It is not in keeping with the principle of the conservation of labour power. Accordingly, the revised Ordinance authorizes the Minister of Welfare to issue necessary orders for the control of wages or take necessary measures in connection with the computation of same.

As regards methods of wage payment, certain restrictions may be imposed, when deemed necessary (for instance, partial payment of wages in bonds, or compulsory savings, etc.).

Minimum and Maximum Wages and Maximum Initial Wages

It is a matter of course that employers should pay the workers a minimum wage, sufficient to enable them to maintain their livelihood. The Ordinance for controlling wages of 1939 prescribed the minimum initial wage for inexperienced workers under 20 years of age. Hereafter, in virtue of the provisions of the revised Ordinance workers other than above prescribed will be entitled to the minimum wage officially fixed.

The maximum initial wage for inexperienced workers in factories

and mines was provided for in the old ordinance. The revised Ordinance provides for workers other than those mentioned in, the foregoing Ordinance, for whom the Minister of Welfare or prefectural governors are authorized to fix the maximum initial wage, the initial wage for experienced workers here meaning the initial wage they will receive at other factories to which they may have moved. The period in which the maximum initial wage is applicable is, for inexperienced workers, three months after being first employed, and for workers other than inexperienced workers one year after being first employed. Doubtless, such provisions are laid down, with a view to preventing unfair competition in securing experienced workers on the part of employers and frequent changes of employment on the part of workers.

The Minister of Welfare or prefectural governors are empowered to fix an official maximum wage for day labourers and others belonging to a ismilar category. However, no official wages were fixed for workers in factories and mines, as it has often been found difficult to carry them out. Only when the wages of workers are inordinately high, the competent authorities may order employers to reduce them.

Restrictions on Total Amounts of Wages

The measure for restricting total amounts of wages forms the most important part of the revised Ordinance. The official control of wages of individual workers on the basis of the maximum-high-wage provision will not be effective in restricting the general rise of wages. In cases where the official regulation of maximum wages for experienced workers in factories and mines proves practically impossible, the situation will be worse. A new method of wage control, therefore, has been adopted, in the form of restrictions on total amounts to be put into effect after the lapse of the Ordinance Pertaining to Temporary Measures Concerning Wages. This restrictive measure applicable to total wage amounts does not intend to limit the total wages of a factory or workshop to any definite fixed amount. It provides for a procedure required to obtain approval by the prefectural governor, in case the actual total amount of wages to be paid in any factory or workshop is in excess of the sum total of average wages by the hour, officially fixed by the Minister of Welfare or prefectural governors, multiplied by the total number of hours of labour in the said factory or workshop.

Approval by prefectural governors of restrictions on total wage amounts must be obtained in the following cases :

1. Where the wage level of workers in a factory or workshop is higher than that in other factories or workshops, by reason of age, kind of work, or years of experience.
2. Where no workers are available at the ordinary wage level due to the peculiar nature of the work or conditions in the factory or workshop.
3. Where superior efficiency is evinced in comparison with other factories or workshops of a similar kind.
4. Where there were natural calamities or some particular requirements.

Such restrictions will be applied to every employer with a permanent force of 30 workers or more in his employ. But no wages of workers mentioned below are subject to the restrictions :

1. Wages of workmen who are paid wages by their employers within the scope of the permission which the prefectural governor has granted with respect to the amount of wages per production unit.
2. Wages of workers employed with wages by the commission wage system, approved by the prefectural governors in respect of the unit of commission, of commission percentage or of method of computing wages.
3. Wages of workers who are employed or given increased wages, on the basis of the wage scale in respect of initial wages or of the increase of wages which has been approved by the prefectural governors.
4. Wages of workers in the exclusive employ of offices outside of factories or workshops.
5. Wages or workers hired by the day.

Restrictions on Allowances and Payment in Kind

The Minister of Welfare is authorized to place restrictions necessary for the control of wages, in respect of allowances and of payments in kind. On the other hand, employers must obtain approval of prefectural governors, when they intend to pay to workers who are not at work, allowances amounting to more than wages receivable while at work. Also, in case payment in kind not mentioned in the wage scale is to be given to workers, approval thereof must be obtained from the prefectural governor.

Bonuses and Temporary Allowances

Employers with a permanent force of 10 workers or more must obtain permission from the prefectural governor, in case they intend

to give their employees bonuses amounting to more than the following:

1. An average bonus per person amounting to 60 yen covering one year.

2. An average bonus per person covering one year corresponding to 40 days of the average standard pay in a factory or workshop.

Employers with a permanent force of 10 workers or more also must obtain the permission of prefectural governors should they intend to pay their employees 20 yen or more per person covering one year.

Restrictions on Sales in Kind to Workers

The Minister of Welfare is authorized to issue to employers necessary orders concerning sales in kind or on commission, in case these methods may affect the real value of wages to be paid to workers.

Wage Agreement

The Ordinance Pertaining Temporary Measures recognizes the system of wage agreement, primarily with a view to controlling wages for day labourers and farm hands. And this provision has been incorporated into the new Ordinance, thereby strengthening and perfecting it.

The fact is that the present Ordinance has provided not only for the agreement concerning wages between employers themselves or between associations or any other bodies, but also for the compulsory participation in and adherence to it by persons outside the agreement. It provides also for promoting the conclusion of agreements within designated periods as well as for the substitution for such agreements by the decision of prefectural governos.

Visits of Inspection, Pay Rolls and Reports

Control of wages necessarily requires the inspection and supervision of the actual conditions of wage payment prevalent in factories and workshops. The Minister of Welfare or prefectural governors are authorized, therefore, to collect reports from employers, or to order them to prepare books, or to send the officials concerned to make personal examinations.

Accordingly, the employer with a permanent force of 10 workmen or more in his employ is required to prepare a book containing the

pay roll of his employees, the uniform style of said books being prescribed in the present Ordinance. Again an employer with a permanent force of 30 workers or more is required to submit to the prefectural governor copies of said books each month. Legally, the Ordinance Pertaining to Temporary Measures concerning Wages is to lapse on October 19, 1940. However, certain parts of the Ordinance (the provisions relative to the prohibition of the wholesale raising of wages) will remain in force, until the restrictions on total amounts of wages as provided in the revised Ordinance shall take effect. Even when the above restrictions are in operation, wages of workers to which the said restrictions are not applicable will be governed by part of the old ordinance.

The regulations governing the operation of the revised Ordinance prescribes that, when matters requiring approval or permission subsequent to the operation of the Ordinance are of a minor nature or of a nature calling for prompt disposition, and when the prefectural governor does not issue to the employed any order or enquiry in writing in connection therewith, within 30 days after the arrival at the administrative authorities of an application for said approval or permission, such approval or permission is deemed as having been granted.

The new Ordinance is not applicable to workers employed in work undertaken by prefectures ; but it will be applied to workers employed in work undertaken by cities, towns or villages.

The revised Ordinance will be in force as from July 1, 1941, in Tyōsen, Taiwan, Karahuto and the South Sea Islands.

DOCUMENTS

I

—Statement of Foreign Office Spokesman, Concerning the Abrogation of the Convention for the Protection of Fur Seals, Issued on October 23, 1940—

The Convention for the Protection of Fur Seals was first concluded in 1911 between Japan, the United States, Great Britain and Russia. In 1925, upon the expiration of its term of 15 years the Japanese Government, proposing the revision of the same, conducted negotiations with the other signatory Powers, but their efforts failed to bring about any concrete results and the Convention, unrevised, has continued in force for 14 years more up to the present.

In the meantime fur seals in the north Pacific have greatly multiplied, with the direct and indirect damages inflicted upon the fishing industry growing also with the years to such an extent that Japan with her important fishery industry can no longer tolerate the continuance of the said Convention which aims solely at the protection of the seals and provides nothing for safeguarding fishery interests. Accordingly the Japanese Government, acting under the stipulations of Article XVI of the Convention, have notified the three other Powers concerned today (October 23, 1940) of their abrogation of the Convention to be effective one year hence, submitting at the same time a proposal for the conclusion of a new convention concerning the protection of fur seals.

II

—Statement of Foreign Office Spokesman, Concerning Greek Ships with Cargo for Japan, Issued on November 4, 1940—

It was reported that, as the result of the hostilities that have broken out between Greece and Italy, the Greek Government issued orders directing all Greek ships to take refuge in ports of neutral countries, Great Britain, the United States, Holland, etc. At present there are dozens of Greek vessels chartered by Japanese firms, and carrying cargoes destined for Japan. The Foreign Office approached the Government of Greece through its Minister in Tokyo to cause these ships to continue their voyage to Japan. The Greek Minister

informed the Foreign Office today that his Government sent out instructions to all Greek ships to continue their voyage to Japan. The Foreign Office, reciprocating the friendly spirit displayed on the part of the Greek Government, has assured the Minister that the Greek ships will encounter no difficulties in leaving Japanese ports after unloading their cargoes.

III

—Statement of Yakichiro Suma, Director of the Information Bureau, Department of Foreign Affairs, Concerning the Arrival of a Greek Vessel, the S.S. Nitsa, Issued on November 8, 1940—

The Greek Government assured us a few days ago that all Greek vessels carrying cargoes bound for Japan would continue their voyage regardless of the present hostilities between Italy and Greece. The instructions of the Greek Government appear to have duly reached the ship owners, for one Greek vessel, the S.S. Nitsa, carrying scrap iron, arrived to-day (November 8) at Yokohama.

The Japanese authorities are seeing to it that the ship is afforded all possible facilities, so that it will experience no difficulty whatsoever in departing as per schedule.

IV

—Congratulatory Address to the Throne, by the Doyen of the Diplomatic Corps at the Celebration of the 2600th Anniversary of the Founding of the Japanese Empire, November 11, 1940—

Your Imperial Majesty:

It is with a profound sense of the solemnity of this occasion that on behalf of representatives of the foreign Powers here assembled I express their deep appreciation of the privilege of attending the celebration of this historic anniversary of the founding of the Japanese Empire.

This anniversary symbolizes and marks the long continuity of history and tradition for which Japan is deservedly distinguished.

Today, on this momentous and profoundly significant occasion, the members of the Diplomatic Corps in Tokyo desire to convey to Your Imperial Majesty and to the Japanese nation their most respectful and sincere felicitations. May health and happiness attend Your

Imperial Majesty, Their Imperial Majesties the Empress and the Empress Dowager, and other members of the Imperial House. May Your Majesty's people prosper, and may the nation ever increasingly contribute to the general culture and well-being of mankind.

V

—Announcement by the Foreign Office Information Bureau, on November 15, 1940—

The Japanese Ambassador to Germany, Mr. Saburo Kurusu, taking the opportunity afforded by the conclusion of the Tripartite Pact between Japan, Germany and Italy as well as the celebration of the 2,600th anniversary of the founding of the Japanese Empire, invited Fuehrer and Chancellor Adolf Hitler and other high ranking officials of the German Government to a luncheon at 2 o'clock P.M. on November 15 (Berlin time) held at his official residence. At this gathering the Fuehrer tendered to Ambassador Kurusu the expression of his congratulation on the prosperity of the Imperial Family of Japan and then handed to Ambassador Kurusu the following message of felicitation for the 2,600th anniversary of the founding of the Japanese Empire:

I wish to tender the expression of congratulation of Germany to her friend, the Japanese nation, for the 2600 years of their existence under an unbroken line of Emperors. I recall in admiration with the German people that Japan has in this long period accomplished fully the task of building up her Empire. The Japanese nation may with pride remember that no enemy has ever trampled upon their islands and that on account of this the Japanese race has for thousands of years preserved its purity.

It must be a source of satisfaction to Japan that her influence in East Asia and her prestige in the world have always been growing and that Japan is able to establish together with leading Powers of other parts of the globe, the new order in a better and more righteous world.

I, therefore, feel a great joy in expressing to the ally, the Japanese nation, my hearty congratulation. Japan, who is fighting hard together with the German and Italian nations in a struggle for her rights of existence will, by manifesting her heroic tradition, attain her goal which destiny has bestowed on her—a glorious peace in a secure *lebensraum*.

VI

—Statement of the Foreign Office Spokesman, Concerning the Participation of Hungary in the Japanese-German-Italian Pact, Issued on November 30, 1940—

Hungary having decided to join the Tripartite Pact between Japan, Germany and Italy, a Protocol was signed at Vienna today, November 20, by the plenipotentiaries of the three Powers, namely, Ambassador Saburo Kurusu of Japan, Foreign Minister Joachim von Ribbentrop of Germany and Foreign Minister Galeazzo Ciano of Italy and the Hungarian plenipotentiary, Foreign Minister Stephen de Csaky.

The Protocol provides under Article 1 that Hungary participates in the Tripartite Pact; under Article 2 that when the Japanese-German-Italian Joint Commission deliberates on a question affecting the interests of Hungary, representatives of the latter country will participate in the said Commission; and under Article 3 that official texts of the Protocol are in Japanese, German, Italian and Hungarian languages and that the Protocol goes into effect on the day of its signature.

Hungary is the first country to join the Tripartite Pact. Her participation paves the way for other countries sharing in the common purpose and ideal with Japan, Germany and Italy. It will unquestionably contribute toward the attainment of the fundamental object of the Tripartite Pact and the strengthening of the respective positions of Japan and of Germany and Italy in Greater East Asia and the region of Europe.

Japan heartily welcomes the Hungarian participation in the Pact, for it is bound to further the cordial relations which have of late been growing between her and Hungary.

THE SITUATION IN CHINA

BUREAU OF INFORMATION, WAR DEPARTMENT

The large-scale clean-up campaign launched by the Japanese expeditionary forces since last April has dealt a heavy blow to the Chinese armies, upsetting reorganization plans launched by the Chinese armies early in July in an attempt to regain their fighting power.

Fearing that the Japanese forces might start a big offensive along the entire front in September or October, the Chinese armies attempted to obstruct Japanese troop movements and preparations for such an offensive by mobilizing guerilla activity in the rear of the Japanese positions. Sporadic engagements took place in various parts of China, including a Communist sortie in North China in the middle of August and activities by Chungking troops in southern Shansi Province. Otherwise, the China front has been relatively quiet.

The Chinese armies now are estimated at some 250 divisions, or about 2,000,000 men. Numerically each Chinese division is believed to have been replenished to its normal basic strength, but the equipment is barely sufficient to supply 20 or 30 per cent of the complement. In addition, a decided deterioration in the quality of recruits is manifested in frequent desertions and irregularities among the soldiers, as well as by low morale and slack discipline. The Chinese fighting spirit has declined seriously, although offers of heavy prizes and threats of severe punishment seem to serve somewhat to maintain it and some Chinese staff officers are still inflamed with vigorous anti-Japanese sentiments. But even the latter are limited to those who have never engaged Japanese troops, for Chinese officers and men usually lose the will to fight once they have borne the brunt of a Japanese attack.

The supply of munitions is an important factor in the enemy's capacity for resistance, and the major foreign supply routes to the Chungking régime have been almost completely blocked by the Japanese armed forces. It is true that a small quantity of munitions still trickles into the Chungking area over such routes as remain intact, but in general they are wholly inadequate for the needs of the Chinese armies. The Burma road, which Great Britain reopened after October 18, is said to be capable of accommodating only 1,500 tons of goods a month.

Chinese arsenals in the unoccupied areas apparently are capable

of manufacturing ammunition in such quantity as to permit uninterrupted guerilla warfare on a small scale, but ordnance production is so poor that only small-calibre guns can be repaired.

In short, the fighting power of the Chinese armies has deteriorated remarkably, so that they are incapable of undertaking any offensive of the proportions of the battle of Hankow. It may be, however, that they will be capable of waging guerilla warfare for some time to come.

Activities of Chinese Communist Troops in North China

About 12,000 Chinese troops, comprising the 120th and 129th Divisions of the Eighth Route (Communist) Army and anti-Japanese university students, who established a base in the hinterlands of Shansi Province, attempted a sortie against the Tatung-Pukow Railway in northern Shansi Province, the railway between Shihkiachwang and Taiyuan, in Hopeh and Shansi Provinces, and the coal mines in Shansi Province on August 21. But the Japanese launched a counter-attack and they were completely repulsed with heavy losses by August 25. The Japanese forces also undertook a mopping-up campaign on October 11 against Chinese Communist troops which had been active in eastern Shansi Province and along the border of Hopeh Province.

The Central Front

In Central China, a punitive expedition was carried out against the newly organized Chinese 13th and 39th Divisions near Wuning, in Kiangsi Province, in August, while successful mopping-up campaigns were undertaken against the Chinese 76th Division near Hsiangan, in Anhwei Province, and also against Chinese troops which had been molesting the Hwainan Railway north of Luchow (Hofei), in central Anhwei Province. The biggest engagement during September took place in the lake region north of the Yangtze River, around Lake Kaoyu and Lake Hungtze, where the Japanese forces dealt the new Communist Fourth Army a severe blow after encircling them on September 5. In the lake region southeast of Tsienkiang, central Hupeh Province, mopping-up operations were started on October 13. Meanwhile a crushing attack was made against 20 Chinese divisions in an area extending from Wuhu to Hangchow and also south of Hangchow.

The South China Front

A portion of Chinese troops began activity in southwestern

Kwangsi Province, bordering on French Indo-China, as a demonstration during August for both domestic and foreign effect. The Japanese forces in South China started operations on August 17 and dispersed Chinese troops near Shangsze, southwestern Kwansgi, after inflicting heavy losses. Also on August 17, combined army and naval air forces swooped down upon Paoki, a strategic point on the northwestern or Red route on the western border of Shensi Province and effectively bombed military targets there. On August 19, military and naval air forces began joint attacks on Chungking for two consecutive days, scoring direct hits on military targets.

In September, Japanese army and navy forces, in conjunction with the Chinese constabulary, undertook a successful clean-up campaign against about 1,000 Chinese, remnants of hostile forces, on Hainan Island. This campaign is being continued in the interior of the island.

Japanese operations have been facilitated greatly by an accord concluded on September 22 between Japan and France, permitting Japanese armed forces to enter French Indo-China and to establish military and aviation bases there. This has made it possible for Japanese troops to withdraw from Nanning, former capital of Kwangsi Province, which had been occupied primarily to cut off supplies to the Chungking régime by way of French Indo-China through Yunnan and Kwangsi Provinces. Crack units of the Japanese army and navy air forces entered the air field at Hanoi on October 5, thus establishing a position from which to bomb effectively the Burma-Yunnan road, which was reopened to traffic on October 18.

JURISTIC PERSON TAX LAW

(Hōzin-Zei Hō)

Law No. 25 of March 29th of the 15th Year of Syōwa (1940)

ARTICLE 1

Juristic persons having a head office or principal place of business in the area where the present law is in force, and juristic persons owning property or enterprises in the area where the present law is in force shall be liable to pay juristic person tax in accordance with the provisions of the present law.

ARTICLE 2

The juristic person tax shall be levied on the total income and capital of juristic persons having a head office or principal place of business in the area where the present law is in force, and only in respect of income accruing from the property or enterprises and the capital related thereto in the area where the present law is in force in the case of juristic persons not having a head office or principal place of business in the area where the present law is in force.

ARTICLE 3

The juristic person tax shall be imposed in accordance with the provisions of the preceding article on income and capital as follows :

1. Income obtained during each business year ;
2. Liquidation income ;
3. Capital as at the end of each business year.

ARTICLE 4

The calculation of income for each business year of juristic persons having a head office or principal place of business in the area where the present law is in force shall be made by deducting gross losses from gross profits during each business year ; but in the case of mutual insurance companies or bourses on membership basis, such calculation shall be made on the basis of the surpluses for each business year.

In the calculation of income referred to in the preceding paragraph the amount which has been or is to be paid by a juristic person in each business year as juristic person tax or excess profit tax shall not be included in the loss account.

In the calculation of income referred to in paragraph 1, losses sustained during business years which began within three years preceding the date of the beginning of the current business year of juristic persons, and as prescribed by Ordinance, shall be included in the loss account.

The provisions of the preceding two paragraphs apply with necessary modifications to the calculation of surplus funds of mutual insurance companies or bourses on membership basis.

The provisions of the preceding four paragraphs apply with necessary modifications to the calculation of income accruing from assets or enterprises during each business year of juristic persons not having a head office or principal place of business in the area where the present law is in force.

ARTICLE 5

The provisions of Articles 6 and 7 of the Income Tax Law apply with necessary modifications to the imposition of juristic person tax.

In the calculation of income acquired during each business year by trust companies, the receipts and disbursements in respect of the joint-operation-trust shall be deducted from gross profits and gross losses respectively.

ARTICLE 6

In the case of the dissolution of a juristic person where the value of the surplus assets exceeds the paid-up amount of the shares or the total amount of the contributions and reserves at the time of the dissolution, such excess amount shall be the liquidation income of the juristic person.

In the case of the merger of juristic persons where the paid-up amount of the shares or the aggregate amount of the contributions and money which is acquired by the shareholders or partners of the extinguished juristic person from the juristic person continuing to be in existence exceeds the paid-up amount of the shares or the total amount of the contributions and reserves at the time of merger of the juristic person extinguished by the merger, such excess amount shall be deemed as the liquidation income of the juristic person extinguished by the merger.

ARTICLE 7

The capital in each business year of juristic persons having a head office or principal place of business in the area where the present law is in force shall be determined by multiplying the monthly average

of the remainder of the paid-up amount of shares, the amount of contributions, the amount of funds, or the amount of collections and reserves as at the end of each month of each business year after deducting the amount of losses brought forward at the end of each month, by the number of months included in the business year concerned, and dividing the result by twelve.

The capital of juristic persons not having a head office or principal place of business in the area where the present law is in force in each business year shall be determined by the applying with necessary modifications the provisions of the preceding paragraph and as prescribed by Ordinance in respect of their assets or enterprises in the area where the present law is in force.

ARTICLE 8

When a juristic person has been dissolved or extinguished by merger in the course of a business year, the period of time from the beginning of such business year untill the dissolution or merger shall be reckoned as one business year.

ARTICLE 9

"Reserves" within the meaning of the present law include any amounts held back as reserves or under any other name out of the income of a juristic person during each business year.

The amount payable as juristic person tax and excess profit tax shall not be included in the amounts held back as referred to in the preceding paragraph.

ARTICLE 10

A juristic person continuing to be in existence after merger or a juristic person formed by merger shall be liable to pay juristic person tax in respect of the income and capital of the juristic person extinguished by the merger.

ARTICLE 11

No juristic person tax shall be imposed on Hokkaido[1] and prefectures, cities, towns, villages and other public bodies as designated by Ordinance, shrines, and juristic persons formed in accordance with the provisions of Article 34 of the Civil Code.

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[1] As an administrative entity.

ARTICLE 12

A juristic person engaged in the manufacture, mining or gathering of staple products designated by Ordinance shall be exempted from juristic person tax in respect of income accruing from such business during the initial year of operation and the three years that follow.

ARTICLE 13

In the calculation of annual income of juristic persons in accordance with the provisions of Article 4, an amount representing 70 per cent of the amount of the interest on national bonds received for the period of holding, should any be held by such juristic person, shall be deducted, as prescribed by Ordinance, from the income of such juristic person. But if interest on such national bonds is subject to the special tax on foreign currency securities or special tax on dividends or profit or interest, the said deduction shall be an amount representing 70 per cent of the remainder of the interest received during the period of holding the national bonds after deducting the amount of either of the said special taxes imposed on such interest.

The provisions of the preceding paragraph apply with necessary modifications to the calculation of liquidation income of juristic persons.

ARTICLE 14

The amount of excess profit tax for any business year of juristic persons shall be deducted from the income of the business year concerned.

The amount of excess profit tax deductable from the income of a juristic person having income subject to juristic person tax and other income shall be calculated as prescribed by Ordinance.

ARTICLE 15

When income obtained by a juristic person in the course of liquidation or by merger is of the nature that juristic person tax shall not be imposed in accordance with the provisions of the present law or other laws, the amount of such income shall be deducted from income of the juristic person in liquidation.

ARTICLE 16

The rates of juristic person tax shall be as follows :—

1. On income of each business year :

In the case of juristic persons having a head office or principal place of business in the area where the present law is in force,

18 per cent of the amount of the income.

In the case of juristic persons not having a head office or principal place of business in the area where the present law is in force,

28 per cent of the amount of the income.

2. On liquidation income:

18 per cent of the amount of the income.

3. On the capital in each business year, 0.15 per cent of the capital.

The amount which has been paid by a juristic person in each business year as classified income tax on dividends of profit of interest in accordance with the provisions of Article 10 of the Income Tax Law shall be deducted as prescribed by Ordinance from the amount of juristic person tax payable by such juristic person in the business year concerned.

The amount of classified income tax on dividends of profits or interest as provided in Article 10 of the Income Tax Law deductable as referred to in the preceding paragraph shall not be included in the loss account in the calculation of the income of juristic persons.

The preceding two paragraphs shall apply with necessary modifications to the juristic person tax on liquidation income.

If the amount of juristic person tax on capital in each business year calculated in accordance with the provisions of paragraph 1 is less than 10 yen per annum, the amount of juristic person tax shall be determined as 10 yen per annum.

In the case of a juristic person not having any amount of income subject to juristic person tax as a result of calculation in accordance with the provisions of Article 4, no juristic person tax shall be imposed on capital in the business year concerned of such juristic person. When the amount of juristic person tax on capital in each business year, calculated in accordance with the provisions of paragraphs 1 and 5, exceeds the remainder of income during the business year concerned after deducting the amount of juristic person tax on such income payable in the business year concerned, no juristic person tax shall be imposed on capital for each business year in which there is such excess amount. (*To be concluded*)

COMMUNITY AND DISTRICT COUNCILS

DEPARTMENT OF HOME AFFAIRS

AS the movement for establishing a new national structure makes headway, the part to be played by community and district councils is becoming increasingly important. These councils form the very foundation structure by which every one of the one hundred million subjects of Japan can be mobilized into the highly organized national defence structure, the construction of which is the basic purpose of the present national movement. With this in view, the Department of Home Affairs has recently issued instructions calling for the reorganization and strenthening of the councils. By this step it is hoped that the organization of the neighbourly life of the people will be strengthened throughout the country, thereby deepening the spiritual unity of the nation and ensuring channels through which all the governmental activities can penetrate into every section of national life. For community and district councils, on the one hand, organize the people regionally for serving the State in their everyday life, and function, on the other, as the sub-structure of the administrative machinery of the State.

History

Since time immemorial community and district councils and near-neighbour groups have been handed down from our forefathers as institutions to meet the needs of the people in their social, economic and civic life. In farm villages members of communities have long been firmly banded together by virtue of an exemplary spirit of neighbourly helpfulness. This spiritual bond of union has been cultivated through a long history of communal life, in particular, in the Tokugawa Period (1602-1869). These farm-village groups are known as community councils.

When the new administrative system for towns and villages was enforced in 1868, as a part of the Restoration, these exsisting community councils were not recognized legally. From this time until recently the Government had ignored this time-honoured institution. But despite the negligence, the councils have survived and continue to assert themselves as active, living forces in village life. District councils, on the other hand, have grown in the form of friendly associations or vigilance corps in urban districts. By a gradual process, these different groups have come to possess and exercise

public functions as auxiliary agencies to the municipal and village administrations. In large cities covering wide areas, with ever shifting populations, district councils and near-neighbour groups have been useful in infusing the spirit of neighbourly amity into urban life, with its hard realities and lack of communal feelings, and in remedying evils arising out of the modern life of crass individualism.

The origin of the organizations of neighbours known as *gonin-gumi* (the group of five) or *junin-gumi* (the group of ten), which were precursors of the present day near-neighbour group, may be traced back to the five-family system as devised as early as the Great Reformation of 645 A.D. In the Tokugawa Period, they came to be incorporated into the administrative machinery as *gonin-gumi*. In the initial stage, they served to hunt criminals and preserve peace by policing freelance soldiers and adherents of strange faiths. Later, by attending to civic affairs like tax collection, savings and mutual relief, they assisted the authorities in looking after the people's welfare at large. Their influence is still extant in both the urban and rural sections of the country. Commendable as this old institution was, it had to undergo gradual decline in the face of the thorough-going individualism introduced from the West since the early Meiji Era. A movement subsequently came, however, for the revival of the institution of community councils based on near-neighbour groups, with a view to the improvement of rural communities. This movement resulted in various activities, such as work for moral edification and rural economic recovery, and clean election-campaigns. The councils' recent activities in assisting the movement for national spiritual mobilization have been much appreciated by the authorities.

Since the outbreak of the China Affair, both the community and the district councils have been given heavy responsibilities as agencies for the execution of vital national policies in connection with measures for the consolidation of the home-front, the development of civilian air defence service, the drive for national savings, the control and adjustment of production, distribution and consumption of materials, the renovation of modes of living and the rationing of the necessaries of life. By such activities their merits and significance have come to be widely recognized, and the organized control of these councils is deemed today a matter of vital importance in the operation of national administration. Such being the case, the councils have been organized throughout the length and breadth of the country. According to a survey conducted by the Department of Home Affairs, the number of community and district councils is as follows :

City section	35,188 councils
Town and village section	156,178 councils
Total	191,366 councils

Thus the extent of the popularization of the institution is reassuring; nevertheless, the measures for guidance and direction as well as strengthening vary according to localities, and the organization is far from perfect. The urgent need is therefore felt for a prompt, nation-wide reorganization and strengthening of the councils, in accordance with definite principles. The Summary of Basic Principles Governing Reorganization and Strengthening of Community and District Councils contained in the Departmental instructions referred to elsewhere clarifies the basic aims of this important communal institution.

Basic Aims and Functions

The reorganization and strengthening of these councils has been advocated in the past from time to time as national purposes have demanded. Also, the origin and manner of organization of the councils has differed according to local needs, with the result that no consistent policy has been carried out in their supervision and guidance. Essentially, the functions of these communal councils cannot be limited to certain specific purposes alone; instead they must be extended to cover all national purposes. Accordingly, the basic aims and functions of the councils have been summarized in the recent instructions as set forth in the following:

1. *To organize inhabitants of cities, towns and villages according to the principles of neighbourly solidarity so as to enable them to perform the tasks common to their locality, in consonance with the basic principles for assisting the Throne.*

The councils are expected to function as agencies for uniting and organizing all the people living in a city, town or village on the basis of the time-honoured spirit of neighbourly solidarity, which constitutes the foundation of local self-government and national unity.

In order to realize this purpose, every Japanese must be fully awakened, first of all, to the consciousness of his being a component part of a community or district council, as well as of a municipality or village; and he must fulfil his duties as a subject of the Throne, in neighbourly cooperation with others in carrying out his own appointed task, and in his daily life. In performing the common tasks set before the councils, therefore, all their activities must be so organized as to conform to national purposes. When this central objective is lost sight of by the councils, the local self-government system founded on them forfeits its national significance.

2. *To function as a basic structure for training and molding the moral life of the people and for realizing their spiritual union.*

This is to be achieved through the practical discipline of communal

life. Once the people awaken to a sense of service to the State through their practice of neighbourly life, individualistic ways will vanish from their daily lives, all black deeds in their economic transactions will be eliminated, and national morality will be established on the basis of the mutual sharing of joys and sorrows by the people. By and large, the community and district councils are an institution for training the people to do away with individualistic thinking and living and for developing true national character by stressing public service rather than private profit.

Again, the community and district councils must function as a basic structure for organizing the spiritual union of the nation. Without this foundation, a high morale equal to the gigantic task Japan is now undertaking in the face of the current world crisis cannot be developed nor maintained. In this sense, the neighbourly union is veritably the source of national strength.

3. *To function as agencies for enlightening the people on the purposes and objectives of national policies, so as to facilitate the smooth operation of national administration.*

In order to assure the efficient operation of national administration, it is necessary that what is planned and intended by the State should be promptly known throughout the entire nation, so that the people will be led to participate gladly in the national cause. Such a task of enlightening the people and enlisting their cooperation can in no wise be carried out only by the functioning of administrative authorities through regular channels, such as the issuing of instructions and notifications. The place of these communal councils in this process is most important; the practical approach to the people at large can best be made, in this connection, through their channels. The councils, therefore, must function as an auxiliary, administrative sub-structure and as intermediaries between the Government and the people, ensuring their cooperation and thereby facilitating the penetration of governmental activities into all parts of national life, particularly in carrying out essential national policies.

4. *To function as local control units of national economic life, thereby enabling the successful operation of controlled economy and giving full play to measures for the stabilization of the people's living.*

From the point of view of national economy, the community and district councils form local units of economic control. Now that the *laissez faire* economic system of the past is to be reorganized into a wartime planned economy, no system of economic control can be carried out successfully without firmly establishing local economic units.

In rural areas farm communities are organized essentially with

agricultural productive activities of their inhabitants as the centre, and as such they form the basis for both the productive and consumptive phases of their life. In the wartime national structure, it devolves upon farm communities to function as local units for realization of the organized planning and the cooperative operation of agricultural production, thereby ensuring the increased production of staple foodstuffs, the smooth distribution of productive materials as well as the necessaries of life, and the proper regulation of consumption.

In urban life, on the other hand, the productive aspect of economy is generally disassociated from the consumptive, and the latter aspect of the people's life dominates. Accordingly, the district council in urban areas has to represent the consumptive aspect of economy, serving as a unit for distributing commodities and regulating consumption under controlled economy.

With the recent intensification of economic control calling for the adoption of the rationing system in the distribution of the necessaries of life, the function of the communal councils and near-neighbour groups as distributive units has become increasingly important. With the possible further increase of economic control and with the perfection of the distribution structure of each locality, the strengthening of this communal institution is urgently required; while with the tightening of the control of consumption throughout urban and rural districts, the rationalization and renovating of people's modes of living and the adoption of a system of cooperative living will become absolutely necessary. Consequently, community and district councils will be assigned a positive task of establishing a new structure in living which is in keeping with the intensified controlled economy and with the wartime national structure.

Organization of the Councils and Groups

Basic principles governing the organization and reorganization of the community and district councils and near-neighbour groups have already been explained. Below are given, therefore, the outlines of the organization.

1. *Community and District Councils*

Cities, towns and villages will be divided into as many districts as their size and other circumstances require, and a community council in the case of villages and a district council in the case of cities and towns will be organized in each district. The difference between the two types of councils is accordingly based on the nature of urban and rural districts.

These councils can call themselves by whatever names they select;

however, it is required that the names should express the purpose for which they are organized. With regard to the nature of the councils, it has already been made clear that they form the auxiliary sub-structure of the municipal and village administration in all practical aspects. They must therefore comprise the whole population of their respective districts.

Areas covered by the councils will be determined on the basis of size and other circumstances controlling regional cooperative activities and in consideration of areas of administration and other existing organizations in the same districts. In so doing, however, care must be taken not to create too wide differences between the councils in the amount of population to be covered by them.

In cases of large urban districts, there may arise the necessity of setting up intermediary agencies connecting the municipal governments with groups of the district councils organized within their administrative areas. In such cases the councils may form federations in such local sub-divisions as primary-school areas. Federated organizations covering the entire administrative areas of municipalities and villages, however, may not be set up, in view of the possibility of causing complexity in the supervisory relationship. Heads of municipalities and villages should control the councils within their jurisdictions.

With regard to the officers of a council, the most important of all is the president, who will represent, lead, and operate the organization. When the area covered by the council coincides with the administrative section, such as the ward, the headman of the ward will be the most suitable person for the presidency. Ordinarily, recommendation or election by the inhabitants of the district or community is a good method of selecting the president. In all these cases, however, the final step of appointment or notification, at least, should be made by the heads of the municipalities and villages concerned. Under the president an employed staff rather than nominal officers may better be appointed for practical purposes.

The organization of the councils cannot be completed without regular meetings, which are convened at least once a month by the presidents and attended, in principle, by all the constituent families. It is desirable, furthermore, that attendance should include all the family members, not being limited to heads of houses. Under special circumstances, however, the regular meetings may be held with the attendance of only the representatives of near-neighbour groups. It is advisable also that various other meetings within the same areas should be merged into or held in connection with the councils' regular meetings.

2. *Near-Neighbour Groups*

The near-neighbour groups, as has been explained, constitute the sub-structure of the communal councils. Their purpose is to practise the spirit of neighbourly solidarity and thereby mobilize all the people for the activities of the State. They can have, as in the case of the communal councils, any name which represents the basic purpose of the group. Their standard size is a group of ten houses. In grouping houses their geographical positions as well as the occupations of their heads should be taken into consideration. The merger of the civilian air defence and other groups into this basic unit of neighbourly life should also be carried out.

The near-neighbour group must have a representative appointed by recommendation, or election, or serving by rotation. In this neighbourly institution there must also be regular meetings. United bodies of these groups functioning as intermediaries between the groups and the councils can be set up if necessary; but a union of groups covering a whole area covered by a communal council is not recognized.

Activities of the Councils

Since the councils are local organizations of all the inhabitants in an area, their activities must spring forth from voluntary cooperation. They must guard themselves strictly against their being dominated by a minority of their executive officers, or being made a tool of petty politicians; otherwise they will be discredited by the people and alienated from them. Another danger to be guarded against by the councils in the course of operating as auxiliary administrative agencies, is the enlargement of the volume of work entrusted to them and the consequent over-burdening of themselves. As such over-taxing of their abilities cripples the functioning of their autonomous activities, the administrative authorities concerned must give serious thought to this matter. Rationalization and self-regulation of financial affairs of the councils are also important. Supervisory agencies must see to it that every possible economy is exercised and that the people are protected from being financially over-burdened.

The most important of all activities is the regular meeting. Since its nature and functions have been fully explained, no further words are necessary here. The point upon which too strong emphasis cannot be placed in this connection, however, is that the meeting should be conducted in such a manner as to embody the spirit of neighbourly solidarity and ensure the practice of neighbourly helpfulness. Through this activity alone the community and district

councils can be the fountainhead of national life and action.

Relations with other organizations existing in the same districts, also, need readjustments. Since the council is designed to perform all public functions within an area, acting as an all-embracing organization, its activities are concerned with the whole communal life of the people, covering such a wide range as industry, economy, culture, peace preservation, health, sanitation, social welfare and other home-front measures under the current emergency. Accordingly, it is advisable to adopt a kind of departmental system in its organization and try to bring activities of other organizations operating in the same area into a coordinated relationship.

As a matter of fact, there is a redundance of organizations in urban and rural areas awaiting complete readjustment. As an immediate measure, however, councils are called upon to dispose of and bring under their control these superfluous organizations, thereby strengthening their own activities. In particular, their relations with agricultural organizations in farm communities need readjustment as to the areas covered, the time and frequency of regular meetings and personnel setup.

Training of leaders is a matter of no less importance in connection with the activities of the council. Persons endowed with leadership and commanding popular confidence must be induced to participate positively in the activities, while future leaders should be selected from among thinking and active youths and be given thorough training. The Department of Home Affairs has accordingly taken steps for such training by subsidizing prefectural governments.

City, Town and Village Regular-Meetings

The last step essential for the reorganization and strengthening of the community and district councils is to institute city, town and village regular-meetings—in the case of the six largest cities, ward regular-meetings. These are made up of mayors of cities or towns or headmen of villages (in the case of the six largest cities, heads of wards), presidents of community or district councils, representatives of various organizations within the administrative areas concerned, and others competent for the office. The last named group includes members of city, ward, town and village assemblies, school teachers, and men of expert knowledge and experience. It is desirable, however, to limit to the minimum the number of members coming in this last group, so that the meeting may be conducted efficiently and not in a perfunctory manner.

These meetings, which are to be held also once a month at least,

function as the consulting organs of cities, towns, and villages, for coordinating all phases of their respective administrative affairs and for conferring on measures necessary for the accomplishment of comprehensive aims of these local public bodies. These local self-governing bodies should be essentially administrative agencies covering all phases of people's living. In practice, however, owing to the existence of too many and varied organizations in their areas, their administration has frequently been confined to the scope of legislative and administrative aspects of self government as provided in laws, quite apart from the realities of the people's living. The present-day situation demands that the entire life of the people should be regulated in accordance with national purposes. The institution of these regular meetings, therefore, aims at rectifying maladministrative practices. Since the city, town or village regular-meeting is a consultative organ, it differs in its nature and function from the city, town or village assembly, which is a deliberative organ for deciding the will of those self-governing bodies as instituted by law.

Briefly, the place of the city, town and village regular-meetings in the communal life of the people is to formulate comprehensive plans of administrative activities covering all aspects of community life, to coordinate their execution, to adjust relations between existing organizations within the areas concerned, and to act as direct supervisory agencies of the communal councils.

OUTLINE OF THE CULTURAL HISTORY OF JAPAN

—A Publication in Commemoration of the 2600th Anniversary of the Empire—

BOARD OF INFORMATION

AS referred to in the November issue of the Tokyo Gazette, the publication of the *Outline of the Cultural History of Japan* forms one of the commemoration undertakings projected by the Association for the Celebration of the 2600th Anniversary of the Empire. The execution of this project was entrusted by the Association to the Department of Education in June, 1938. In view of the importance of this undertaking an Imperial Ordinance was issued in February, 1939, providing for the organization of the Compilation Committee under the control of the Minister of Education. This committee consisted of about forty members with the Director of the Bureau of Educational Research as the Chairman. Its office was established on the premises of the Department of Education in April last year, and the work of compilation has since been in progress.

The object of this publication consists in reflecting on the achievements of the Japanese nation during her long history and deepening the national consciousness and inspiration through the knowledge of her culture, thereby promoting the future growth of the nation, as well as making the essence of Japanese culture widely known to other peoples and contributing to the development of world civilization. Since the Emperor Jimmu's accession to the Throne, Japan has maintained her unique national polity for twenty-six centuries and has been making steady progress under the rule of an unbroken line of Emperors. The world now stands at the greatest turning point in history, and Japan is surmounting all obstacles in striving for the realization of her national ideals. At this time it may be said to be a cultural obligation of the present generation to prepare authoritative records of the essence of Japanese culture and leave them to posterity; herein lies the important significance of the present publication as a national undertaking.

The work of compiling this cultural history was therefore commenced after thorough preparation and careful consideration. The members of the Compilation Committee comprise specialists in various fields of cultural activity and the Government officials con-

cerned, and in order to make the publication as perfect as possible they gave full consideration to its contents and other matters both among themselves and with others concerned in the undertaking.

The work is to consist of six volumes, of which the first two give historical outlines of Japanese culture, one is devoted to the Japanese civilization of today, while the remaining three volumes will be assigned for illustrations. The first volume of the historical outlines deals with ancient culture (the Age of the Gods, the Yamato, Asuka-Nara, and Heian Periods) and mediaeval culture (the Kamakura and Yosino-Muromati Periods); the second volume covers the early modern period (the Azuti-Momoyama and Yedo Periods) and the late modern and present periods (the Meizi, Taisyō and Syōwa Eras), with a chronological table appended. Except for the two special chapters, the Founding of the Empire and Jimmu-Tennō, added respectively to the Age of the Gods and the Yamato Period, all the Periods are treated in six subdivisions, i.e. "General Survey," "Politics," "Foreign Relations," "Economics," "Religion," "Education" and "Art." Of course these subdivisions are merely for the sake of convenience; they are not treated independently of each other, but stress will be laid on the study of the peculiar features of each Period which mark all those fields of cultural life, so that, at the same time, it may help to define their significance in the civilization of Japan as a whole. With the historical background thus described in the preceding two books, the third volume gives an account of the present-day culture of Japan, examining its essential qualities as observed in the State, society and politics, military affairs and national defence, economics, religion, customs and manners, education and art. A general review and outlook on Japanese culture will be given at the end of the volume by way of conclusion. The work will thus make it clear that Japanese culture, as we find it today, is the crystallization of the essence of what the people have achieved in the 2,600 years of their national life and the sublimation of all that is best in foreign civilizations which have been introduced into this country and developed upon the basis of its glorious history, while it will clarify Japan's great mission to evolve a new world civilization by combining the cultures of the East andWest.

The three volumes of illustrations include all the representative works of art from the ancient to the present ages, covering relics of remote ages, architecture, gardening, sculpture, painting, craftsmanship, calligraphy, swords, etc., with a brief explanation of each of the pictures for the benefit of the reader. The photographs and prints will be newly prepared for use in this publication and arranged on independent lines, so that the illustrations themselves, apart from

the text, may have their own significance and value.

The printing of the Outline will be undertaken by the Cabinet Printing Bureau. Although there is much inconvenience owing to the current emergency, efforts will be made to utilize all that is best in respect to paper, printing and binding, so that the work may reach the highest standard of technical skill as a modern publication. The volumes will be of the Japanese standard size B4 (nearly equal to quarto) with altogether 1,500 pages of text and about 600 illustrations. For the benefit of the general public a popular edition is expected to be published later on. Besides, there is a plan to prepare foreign language editions abridged from the original Japanese. The manuscripts of the text and the plates for the illustrations have been nearly completed and are going to the press; so the volumes will be brought out in succession in the near future.

OCCUPATIONS SUITABLE FOR WOUNDED SOLDIERS

BOARD OF MILITARY PROTECTION

ONE of the most fundamental problems for wounded soldiers is that of securing suitable occupations when dismissed from the army hospitals. And the least the nation can do to express their gratitude to those who have shed their blood for the State is to enable them to find occupations which will ensure their social and economic independence.

The Board of Military Protection has taken steps in this direction for the benefit of those wounded in the current hostilities by giving occupational advice while they are still recuperating in the military hospitals. For this purpose, men having expert knowledge and experience in the matters concerned have been appointed as advisors, and specialists have been placed in the prefectural offices throughout the country. They work in collaboration with the Bureau for Vocational Guidance of Reservists and with regular employment bureaus in administering aid along this line.

Suitable Occupations

It is difficult to define what suitable occupations for the war disabled are. Even for an ordinary person the conditions that determine the occupation suitable for him are complicated and numerous. In the case of war invalids and wounded, there comes in an additional important factor : the state or nature of the wounds or diseases, which are far from being uniform. Suitable occupations, therefore, must be studied separately according to each case.

There is, however, one consideration which may serve as a basic principle in the occupational guidance of wounded soldiers ; that is, as far as possible to return them to the occupations engaged in at the time they were called to the colours. There have been many instances when some insignificant skill in former occupations, such as, using a screw driver or writing with a pen, has become the main foothold of the first step into new life for wounded soldiers. Therefore, however short the time and however commonplace the work, former occupational experience is not to be ignored. An out-and-out change of occupation should be the last resource, and it is to be desired that an occupation having something in common with that

engaged in formerly be selected if conditions do not permit a full return to the former occupation.

Rehabilitation of Wounded Soldiers

The actual percentage of the wounded returned to their former occupations can be found in the first investigation of the occupations of wounded soldiers. According to this investigation, which was made simultaneously throughout Japan last autumn, 70 per cent had returned to their former occupations and only 30 per cent had changed.

The problem of returning a soldier to his former occupation is comparatively simple when he has not been wounded seriously; but in serious cases, particularly when part of a limb has been amputated, a return to the soldier's former occupation is frequently impossible without a certain kind of adjustment. Should there be strong determination on the part of the wounded, they can develop techniques that will overcome great difficulties.

Other factors also aid in conquering physical deficiency. A task requiring one to stand up is difficult to perform for a person wounded in the legs, but there are many instances where what had hitherto been considered as standing work has been done just as well in a sitting position. For example, work on a small lathe can be changed into sitting work by placing before the machine a chair or a support for the wounded leg. Likewise, work done with the hands can be changed technically into work using the legs; hand-woven bamboo-blinds are now being made by a device using the motion made by stepping, while a machine using the foot for punching tickets has also been invented.

There are exceptions, however, to this basic principle of returning to original occupations as in the case of disabled soldiers who had not been engaged in any kind of occupation previous to joining the colours. Obstacles other than those caused by wounds can also hinder rehabilitation. On the other hand, offers of positions have been made to wounded soldiers in many cases on a large scale by men of understanding, and at present great numbers of the war wounded are taking active part in many fields of industry. A one-armed soldier making ammunition; a soldier with eye, arm, and leg wounds, working in a munitions factory; a soldier using his artificial arms to work a machine tool for making firearms; several blinded in both eyes working on the staff of a military factory—these facts make us wonder if there is any work impossible for disabled soldiers to undertake.

Wounded Soldiers and Morale

Further investigation reveals that the high morale and strong character of the wounded themselves lie behind these astonishing facts. Without spiritual factors no wounded soldier finds any satisfactory occupation. Suitable occupations, therefore, must be created by the wounded themselves. It must not be forgotten, at the same time, that they are, to a considerable extent, influenced by the attitude of their families, friends and employers. Anxiety in the family, disharmony among friends, or employers without understanding can have disheartening effects on their morale. It is certainly the responsibility of the home population to help the returned soldiers to maintain and strengthen a high morale, which is the most important factor in finding suitable occupations.

Charts showing relations between the kinds of wounds and occupations most suitable for them can be made from various statistics concerning the soldiers wounded in wars and from those concerning factory accidents. These charts will no doubt help in showing the types of occupation the wounded of the past have taken up in accordance with the degree and nature of their wounds. But they cannot be made a sufficient guide for the future of the wounded. For, when high morale and technical guidance come into perfect harmony, exceptional cases will be produced without number. In this sense, occupations suitable for wounded soldiers are things not to be found but created.

DOCUMENTS CONCERNING THE TREATY BETWEEN JAPAN AND CHINA

I

ANNOUNCEMENT OF THE GOVERNMENT, NOVEMBER 30, 1940

THE Plenipotentiaries of Japan and China signed today at Nanking the Treaty Concerning the Basic Relations between Japan and China, the Protocol annexed thereto and the Agreed Terms of Understanding between the Plenipotentiaries of the two countries; following which the Plenipotentiaries of Japan, Manchoukuo and China signed the Joint Declaration of Japan, Manchoukuo and China.

By virtue of the above, the Japanese Government have formally recognized the National Government of the Republic of China headed by Mr. Wang Ching-wei, the National Government of the Republic of China have recognized Manchoukuo, and the Government of Manchoukuo have recognized the National Government of the Republic of China.

The documents relating to the above are as follows:

1. TREATY CONCERNING THE BASIC RELATIONS BETWEEN JAPAN AND CHINA

The Imperial Government of Japan and

The National Government of the Republic of China:

Being desirous that these two countries should respect their inherent characteristics and closely cooperate with each other as good neighbours under their common ideal of establishing a new order in East Asia on an ethical basis, establishing thereby a permanent peace in East Asia, and with this as a nucleus contributing toward the peace of the world in general, and

Desiring for this purpose to establish fundamental principles to regulate the relations between the two countries, have agreed as follows:

ARTICLE 1

The Governments of the two countries shall, in order to maintain permanently good neighbourly and amicable relations between the

two countries, mutually respect their sovereignty and territories and at the same time take mutually helpful and friendly measures, political, economic, cultural and otherwise.

The Governments of the two countries agree to eliminate, and to prohibit in the future, such measures and causes as are destructive of amity between the two countries in politics, diplomacy, education, propaganda, trade and commerce, and other spheres.

ARTICLE 2

The Governments of the two countries shall closely cooperate for cultural harmony, creation and development.

ARTICLE 3

The Governments of the two countries agree to engage in joint defence against all destructive operations of communistic nature that jeopardize the peace and welfare of their countries.

The Governments of the two countries shall, in order to accomplish the purpose mentioned in the preceding paragraph, eliminate communistic elements and organizations in their respective territories, and at the same time cooperate closely concerning information and propaganda with reference to the defence against communistic activities.

Japan shall, in order to carry out the defence against communistic activities through collaboration of the two countries, station required forces in specified areas of Mengchiang and of North China for the necessary duration, in accordance with the terms to be agreed upon separately.

ARTICLE 4

The Governments of the two countries undertake to cooperate closely for the maintenance of common peace and order until the Japanese forces sent to China complete their evacuation in accordance with the terms as provided for separately.

The areas for stationing Japanese forces for the period requiring the maintenance of common peace and order and other matters pertaining thereto shall be determined as agreed separately between the two countries.

ARTICLE 5

The Government of the Republic of China shall recognize that Japan may, in accordance with previous practices or in order to

preserve the common interests of the two countries, station for a required duration its naval units and vessels in specified areas within the territory of the Republic of China, in accordance with the terms to be agreed upon separately between the two countries.

ARTICLE 6

The Governments of the two countries shall effect close economic cooperation between the two countries in conformance with the spirit of complementing each other and ministering to each other's needs, as well as in accordance with the principles of equality and reciprocity.

With reference to specific resources in North China and Mengchiang, especially mineral resources required for national defence, the Government of the Republic of China undertake that they shall be developed through close cooperation of the two countries. With reference to the development of specific resources in other areas which are required for national defence, the Government of the Rupublic of China shall afford necessary facilities to Japan and Japanese subjects.

With regard to the utilization of the resources referred to in the preceding paragraph, while considering the requirements of China, the Government of the Republic of China, shall afford positive and full facilities to Japan and Japanese subjects.

The Governments of the two countries shall take all the necessary measures to promote trade in general and to facilitate and rationalize the demand and supply of goods between the two countries. The Governments of the two countries shall extend specially close cooperation with respect to the promotion of trade and commerce in the lower basin of the Yangtze River and the rationalization of the demand and supply of goods between Japan on the one hand and North China and Mengchiang on the other.

The Government of Japan shall, with respect to the rehabilitation and development of industries, finance, transportation and communication in China, extend necessary assistance and cooperation to China through consultation between the two countries.

ARTICLE 7

According to the development of the new relations between Japan and China under the present Treaty, the Government of Japan shall abolish extraterritorial rights possessed by Japan in China and render to the latter its concessions; and the Government of China shall open its territory for domicile and business of Japanese subjects.

ARTICLE 8

The Governments of the two countries shall conclude separate agreements regarding specific items which are necessary to accomplish the object of the present Treaty.

ARTICLE 9

The present Treaty shall come into effect from the date of its signature.

In witness whereof the undersigned, duly authorized by their respective Governments, have signed the present Treaty and have affixed thereto their seals.

Done in duplicate, in the Japanese and Chinese languages, at Nanking the 30th day of the 11th month of the 15th year of Syōwa, corresponding to the 30th day of the 11th month of the 29th year of the Republic of China.

2. ANNEXED PROTOCOL

In proceeding this day to the signature of the Treaty Concerning the Basic Relations between Japan and China, the Plenipotentiaries of the two countries have agreed as follows:

ARTICLE 1

The Government of the Republic of China, understanding that, during the period in which Japan continues the warlike operations it is at present carrying on in the territory of China, there exists a special state of affairs attendant upon such warlike operations, and that Japan must take such measures as are required for the attainment of the object of such operations, shall accordingly take the necessary measures.

Even during the continuation of the said warlike operations, the special state of affairs referred to in the preceding paragraph shall, in so far as there is no obstacle to the attainment of the object of the operations, be adjusted in accordance with the changing circumstances and in conformity with the Treaty and its annexed documents.

ARTICLE 2

While the affairs previously administered by the Provisional Government of the Republic of China, the Reformed Government of the Republic of China and others have been taken over and temporarily maintained as they are by the Government of the Republic

of China, those which require adjustment but are not yet adjusted shall be adjusted in conformity with the purpose of the Treaty and its annexed documents through consultation between the two countries, as promptly as circumstances may permit.

ARTICLE 3

When general peace is restored between the two countries and the state of war ceases to exist, the Japanese forces shall commence evacuation with the exception of those which are stationed in accordance with the Treaty Concerning the Basic Relations between Japan and China signed today and the existing agreements between the two countries, and shall complete it within two years with the firm establishment of peace and order; and the Government of the Republic of China shall guarantee the firm establishment of peace and order during this period.

ARTICLE 4

The Government of the Republic of China shall compensate the damages to rights and interests suffered by Japanese subjects in China on account of the China Affair since its outbreak.

The Government of Japan shall, with respect to the relief of the Chinese rendered destitute by the China Affair, cooperate with the Government of the Republic of China.

ARTICLE 5

The present Protocol shall come into effect simultaneously with the Treaty.

In witness whereof the Plenipotentiaries of the two countries have signed this Protocol and have affixed thereto their seals.

Done in duplicate, in the Japanese and Chinese languages, at Nanking the 30th day of the 11th month of the 15th year of Syōwa, corresponding to the 30th day of the 11th month of the 29th year of the Republic of China.

3. AGREED TERMS OF UNDERSTANDING BETWEEN THE PLENIPOTENTIARIES OF JAPAN AND CHINA CONCERNING THE ANNEXED PROTOCOL

In proceeding this day to the signature of the Treaty Concerning the Basic Relations between Japan and China, the following understanding has been reached between the Plenipotentiaries of the two countries in connection with the stipulations of Articles 1 and 2 of

the Annexed Protocol of the Treaty.

1. With regard to those various organs for collecting taxes in China which are at present in a special condition owing to military necessity, an adjustment shall be made promptly in accordance with the spirit of respecting the financial independence of China.

2. With regard to those industrial, mining and commercial establishments under governmental or private management which are at present controlled by Japanese forces, the necessary measures shall be taken for their prompt transfer to Chinese management in a rational manner, with the exception of those which are of enemy character or under special circumstances of unavoidable character including military necessity.

3. In case any Sino-Japanese joint enterprise requires modification in the evaluation of original assets, the proportion of capital investments and other matters, measures for their rectification shall be taken in accordance with the terms to be agreed upon separately through consultation between the two countries.

4. The Government of the Republic of China shall, in case they find it necessary to institute control on foreign trade, effect such control autonomously. They may not, however, infringe upon the principle of Sino-Japanese economic cooperation mentioned in Article 6 of the Treaty; and they shall consult with Japan with regard to such control during the continuation of the China Affair.

5. With regard to matters pertaining to transportation and communication in China which require adjustment, they shall be adjusted, as promptly as circumstance may permit, in accordance with the terms to be agreed upon separately through consultation between the two countries.

Done in duplicate, in the Japanese and Chinese languages, at Nanking the 30th day of the 11th month of the 15th year of Syōwa, corresponding to the 30th day of the 11th month of the 29th year of the Republic of China.

4. JOINT DECLARATION BY THE GOVERNMENTS OF JAPAN, MANCHOUKUO AND CHINA

The Imperial Government of Japan;
The Imperial Government of Manchokuo; and
The National Government of the Republic of China:

Being desirous that the three countries should respect one another's inherent characteristics and closely cooperate with one another as good neighbours under their common ideal of establishing a new order in East Asia on an ethical basis, constituting thereby

the mainstay of a permanent peace in East Asia, and with this as a nucleus contributing toward the peace of the world in general, declare as follows :

1. Japan, Manchoukuo and China will respect mutually their sovereignty and territories.

2. Japan, Manchoukuo and China will bring about general co-operation on a reciprocal basis among the three countries, especially a good neighbourly friendship, common defence against communistic activities and economic co-operation, and for that purpose will take all the necessary measures in every direction.

3. Japan, Manchoukuo and China will promptly conclude agreements in accordance with the present Declaration.

Done at Nanking on this the 30th day of the 11th month of the 15th year of Syōwa, corresponding to the 30th day of the 11th month of the 7th year of Kangte, and to the 30th day of the 11th month of the 29th year of the Republic of China.

II

STATEMENT OF THE FOREIGN OFFICE SPOKESMAN, ON THE SIGNING OF THE SINO-JAPANESE BASIC TREATY, AND THE JAPAN-MANCHOUKUO-CHINA JOINT DECLARATION, ISSUED ON NOVEMBER 30, 1940

In Nanking, at 10 o'clock this morning, a Sino-Japanese Basic Treaty between Japan and China was signed between Ambassador Nobuyuki Abe and Mr. Wang Ching-wei, President of the Executive Yuan (Though Mr. Wang became the head of the National Government, he signed the Treaty in the capacity of President of the Executive Yuan), which means that Japan formally recognized the new National Government at Nanking as the legitimate government of China. And at noon General Abe and Mr. Tsang Shih-i, Plenipotentiaries of Japan and Manchoukuo, and Mr. Wang signed the Japan-Manchoukuo-China Joint Declaration, by virtue of which Manchoukuo and the National Government headed by Mr. Wang Ching-wei recognized each other. It is most gratifying that the foundation has thus been firmly laid for the construction of a new order in East Asia through the cooperation between the three Powers.

Following the outbreak of the Sino-Japanese hostilities, and with the advance of Japanese forces, there sprang up societies for the maintenance of peace and order in various parts of China. These

were gradually absorbed by and amalgamated with two régimes—namely, the Provisional Government at Peking and the Reformed Government at Nanking, paving the way for the construction of a new China, until finally there appeared the Peace and National Salvation Movement under the leadership of Mr. Wang Ching-wei.

This was a movement aiming at the construction of a new order in East Asia and at establishing for that purpose a government by rehabilitating the Kuomintang, by rejecting both communism and anti-Japanism and by joining hands with Japan. On December 18, 1938, Mr. Wang Ching-wei startled the world by his flight from Chungking.

Prime Minister Prince Konoe's statement (December 22) concerning the construction of a new order in East Asia was followed by Mr. Wang's declaration for peace and against communism (December 30). A few months later Mr. Wang arrived in Shanghai from Hanoi (May 8, 1939), where he established his headquarters for his peace movement. Shortly afterwards he visited Tokyo (May 31) and conferred with the Prime Minister, Baron Hiranuma, and also Prince Konoe, from whom he learned the true attitude of Japan toward his peace movement and decided to proceed in earnest. On August 28 the Sixth Plenary Conference of the Kuomintang was convened in Shanghai, which adopted the resolutions for the restoration of Sino-Japanese relations by fundamental adjustment and for the reorganization of the Kuomintang and the appointment of Mr. Wang as chairman of the Central Executive Committee. At the same meeting the much-abused Three People's Principles were given a proper and authentic interpretation. The Peace and National Salvation Movement now became a "Peace and National Construction" movement, and the orthodox Kuomintang, casting aside its claim of "Rule the country by the Party," embarked upon the establishment of a new Central Government of China through the co-operation of parties and factions and those belonging to no party or faction. The first important step toward the establishment of a new Central Government was the three-day conference at Nanking, attended by Mr. Wang Ching-wei, Mr. Wang Ke-min representing the Provisional Government and Mr. Liang Hungchi of the Reformed Government. Then, on January 23 this year these three leaders met again at Tsingtao. On February 12, Mr. Wang called a meeting at Shanghai, to which were invited men of social prominence as well as representatives of various parties and factions, and at which an agreement of views was reached concerning the general principles for the establishment of a Central Government and its political platform. This led to the opening on March 20 of the Central

Political Conference to decide upon the fundamentals for the establishment of the new Government.

The conference was attended by thirty delegates in all, comprising ten from the Kuomintang, five each from the Provisional and the Reformed Governments, two each from the Federated Autonomous Government of Mongolia, the National Socialist Party and the Young China Party, and four men of recognized influence in society. Twelve important matters, such for instance as the proposal for the adjustment of Sino-Japanese relations, the draft principles for the establishment of a Central Government, the platform of the National Government and the regulations for the organization of a Central Executive Committee, were approved, and the conference closed on March 25. On March 30 the rites and ceremonies marking the return of the National Government to its capital were held in Nanking, at which Mr. Wang Ching-wei issued a proclamation. Then and there the National Government made the first forward step of historic importance as a partner in the construction of a new order in East Asia.

In parallel and inseparable with the activities for the establishment of a Central Government, there progressed negotiations for the adjustment of Sino-Japanese relations. These negotiations made especially notable progress on the basis of the three principles of amity and neighbourliness, common defence against the Comintern and economic cooperation, after the Sixth Plenary Session of the Kuomintang which was held at the end of August of 1939; and on December 30 an informal agreement on basic ideas regarding the adjustment of Sino-Japanese relations was reached at Shanghai between the negotiators of the two countries.

Upon the establishment of the new Central Government on March 30 of this year, the Japanese Government appointed on April 1 General Nobuyuki Abe, Ambassador Extraordinary and Plenipotentiary, who arrived at Nanking on the 23rd of that month. After this, all preparations were completed with despatch for the restoration of Sino-Japanese relations. On July 5 the first meeting of the formal conference took place, attended by Ambassador Abe and Mr. Wang as Acting President of the Republic of China. Mr. Wang on this occasion spoke of what China expected of the conference, while Ambassador Abe set forth the views of the Japanese Government relative to the negotiations that were to begin. Since then the negotiations were continued for almost two months. It was rather the zeal on both sides for the construction of the new order in East Asia than what may merely be termed mutual concession that enabled the delegates of the two countries to solve the

many complex and vexing problems. At the 15th session held on August 28 they agreed upon a draft treaty, which was initialled on August 31. Upon examination by the two Governments from the domestic standpoint of their respective countries, this draft treaty was found to require partial alterations. Accordingly in the latter part of September the negotiations were resumed for the necessary revision, on which an agreement of views was reached, and the treaty in its final form was initialled on October 10.

On the other hand, with Manchoukuo that had always supported without reserve the cause of Sino-Japanese cooperation, negotiations were conducted concerning a Japan-Manchoukuo-China Joint Declaration. Early in November Mr. Wei Huan-chang, director of the Foreign Affairs Bureau of Manchoukuo arrived in Nanking, and the Declaration as published today was initialled on November 8 by the plenipotentiaries of the three countries. Meanwhile, Ambassador Abe, returning to Japan on October 27, met Prime Minister Prince Konoe on October 29 to report on his mission. Following the Imperial Conference of November 13, the Treaty was submitted to the Privy Council, and approved at its full session of November 27. This in brief is the history of the Sino-Japanese Basic Treaty that was signed today at Nanking.

CONTROL OF CORPORATION FINANCE AND ACCOUNTING

DEPARTMENT OF FINANCE

THE Ordinance for the Control of Corporation Finance and Accounting, based upon the provisions of Article 11 of the National Mobilization Law, was passed by the General Mobilization Council and has gone into force as from October 20, 1940.

Of other Ordinances issued in accordance with Article 11 of the National Mobilization Law, there had been in force one concerning the control of the dividends and the financing of corporations which became effective on April 10, 1939, and one pertaining to temporary measures concerning remunerations of corporation employees, effective for one year as from October 20, 1939, and intended as a check on the general rise in prices. The Ordinance for the Control of Corporation Finance and Accounting supersedes and supplements the foregoing two Ordinances, in addition to providing, among other things, for the examination of the management of enterprises. As a matter of fact, the mobilization of national resources, both human and material, is mainly effected through corporation enterprises; while they serve as sources of income for those who offer capital and for those who are engaged in the enterprises, as well as for their employees. Hence, the proper management of the business of corporations is essential, not only for increasing their profits but also for the attainment of the national purpose.

To adjust national economy in such a way as will conform to the task of establishing a highly organized defence structure is the urgent call of the hour. Needless to say, the management of corporations should be adjusted to this objective. For this reason the two Ordinances referred to above have been re-examined, with the result that revisions have been made, in respect of the Ordinance concerning the dividends and financing of corporations, in order to rationalize the control of dividends, to strengthen the supervision of expenditures and the employment of capital, and in respect of the Ordinance pertaining to temporary measures concerning the remunerations of corporation employees, to prevent any inflation in purchasing power and any further rise in production costs. The present Ordinance has been issued, with a view to enabling corporations better to fulfil their duties to the State. In addition, with regard to

the employment of a corporation's capital, hitherto included in one of the two former Ordinances, an Ordinance concerning Employment of Funds by Banks and other Institutions has been newly promulgated.

In the new order of things, all corporations should discard the old attitude of making profit the first objective and in all cases give preference to the public good. This is the cardinal principle that should govern all the dealings of corporations.

Control of Dividends

In controlling dividends, the new Ordinance follows, in the main, the provisions of the old Ordinance, but the following points may be noted as being characteristic of the new provisions :

1. Whereas the old Ordinances take as the standard the rate of dividend last declared during one year previous to November 30, 1938, the new provisions will take the rate of dividend for the business year immediately preceding.
2. The adoption of a governing idea of the corporation's own capital, that is to say, whenever a corporation desires to declare a dividend in excess of 8 per cent per annum on its own capital, it is required to obtain approval of the competent authorities, although a corporation may be at liberty to declare a dividend not exceeding 5 per cent per annum on its own capital.
3. Wherever deemed necessary with reference to conditions in connection with the finance and accounting of a corporation, a proper rate of dividend for the future will be fixed for the corporation.

The corporation's own capital, above mentioned, is composed of the sum total of its paid-up capital and ordinary funds in reserve plus net profits brought over from the preceding half-year, while it does not include secret reserves and net profits for the current half-year. The proportion of paid-up capital and reserve funds is on the average 4 to 1 or 5 to 1.

The revised provisions concerning corporation dividends, therefore, prescribe that (1) a corporation may declare a dividend at the rate of 6 per cent or 5 per cent per anuum on its own capital; that (2) as a rule, a corporation may, as in the existing provisions, raise its dividend by 1 per cent per annum until a rate of 10 per cent per annum is reached—only, where reserve funds are low this increase in dividend may not be allowed in excess of 8 per cent per annum on its own capital; and that (3) dividends in excess of 8 per cent per aunum shall be subject to official approval, such a high rate of dividend being discouraged as a matter of principle.

As regards funds in reserve, the competent authorities may, when

deemed necessary in view of the actual conditions of a corporation, order it to set apart a special reserve in addition to the legal reserve fund or to hold government bonds by way of investing its funds.

Control of Remunerations of Officers and Employees

With the object of rationalizing the salaries and allowances of officers and employees and of arresting any undersirable inflationary developments, the new Ordinance provides for the control of cash income and, in line with the policy of preventing any rise in prices, such payments beyond a stated amount may not be charged to the account of ordinary expenditures. Besides, some reform has been introduced, having regard to the results of a year's operation of the old Ordinance concerning remunerations.

1. Officers' Remunerations

More exactly, these fall under the heads of salaries, bonuses and retiring, special and miscellaneous allowances.

(*a*) *Salaries*: In payment of salaries to the officers, as a whole, the total amount paid for the business year immediately preceding will serve as the basis of control, any payment beyond this total being subject to official approval. Whereas in the old provisions, a maximum amount was fixed for each class of officers to be the norm, the new Ordinance fixes the total amount, whatever adjustment nesessary being made among individual officers in accordance with the amount of work handled by each. Hence, any increase in the number of officers will not affect the total amount of salaries so long as the amount of work remains unchanged.

(*b*) *Bonuses*: The rate of bonuses will first be calculated in consideration of the statistics, based on reports of the corporation, with reference to the paid-up capital, and then the rate so found will be multiplied by the net profits for the current half-year. The outcome will be the legal amount of bonus. Where the bonus for the preceding half-year is lower than the legal amount, that for the current term will be increased by 20 per cent over that amount. It should be noted in this connection that bonuses may not be increased beyond this at one time.

(*c*) *Retiring Allowances*: Where it does not exceed the stated limit or where it is according to the norm approved by the competent authorities, no special permission is required for making retiring allowances.

(*d*) *Special Allowances*: In the new provisions, all special allowances to officers of a corporation require no official approval, although, in

the old Ordinance, allowances beyond the stated amount were made subject to approval.

2. Employees' Salaries and Allowances

(*a*) *Salaries*: The new Ordinance provides for initial salaries and the rate of increase. For instance, a university graduate will receive an initial salary of 75 yen, a higher commercial or technical school graduate 60 yen and a middle school graduate 45 yen. Increases may be made each year within the limit of a total representing 7 per cent of the salaries; special individual increases, if within this limit of the total, are left to the discretion of the management. Where the present salaries are very low, increases may be allowed so as to bring them up to the proper level.

(*b*) *Special Allowances*: Of special allowances, mention may be made of the family allowances of a stated amount which may be paid, as prescribed by Ordinance in accordance with the recognized rules.

(*c*) *Bonuses and Other Allowances*: In the new Ordinance, bonuses, half-yearly allowances, price-allowances and the like shall be subject to official approval where their total exceeds an amount representing 9 months' salaries; provided that when payment is made in the form of government bonds or otherwise specially permitted, this maximum may be exceeded to a certain extent. As for an amount in excess of the limit, however, the corporation may not charge it to the account of ordinary expenditures, so as not to include it in the costs of goods, and it will be regarded as profit, subject to taxation.

In order to effect adjustment in the salaries and allowances of officers and employees, the new Ordinance provides for orders to be issued by the competent authorities concerning the amounts of salaries and allowances and the manner of their payment.

Operating Expenses and Capital

With the intensification of control of the allocation of profits it has become imperative to rationalize payments for operating expenses, and for this purpose the Ordinance provides for the issuance of necessary orders governing payments of the running expenses of corporations. Of other expenses, such as those for sundry contributions, both social and private, for advertisements and for research work, necessary control will be exercised on the estimates to be presented for each business year.

The new Ordinance provides also for the depreciation of the fixed assets according to a stated ratio, although the application of these provisions will be postponed pending detailed studies on the matter.

The Ordinance provides for further control over the acquisition or disposal of securities beyond the stated amount and the acquisition or disposal of patent rights, mining royalties and the like, as well as loans or borrowings of capital. But this is in essence supplementary to the existing Capital Control Law. In the case of corporations specially designated, the competent authorities may fix a limit to the loans the company may make, having regard to the scope of its business. Otherwise, fresh loans or borrowings from parties other than financial institutions by a trading company will be subject to official approval where the amount involved exceeds the stated limit.

Examinations of the Accounts

It is intended under the new Ordinance to make the examination of corporation accounts even more thoroughgoing than heretofore. In addition to requiring the presentation of various reports and statements on the company's financial condition, it is proposed, where necessary, to prescribe items of accounts and forms of books. And in the case of corporations to be designated, all accounts will have to be audited by official auditors previous to the allocation of profits.

The more important matters concerning approval to be granted, orders to be issued and designations to be made will be considered by the Commission for the Investigation of Corporation Finance and Accounting, which will supersede the Commission for the Investigation of Corporation Dividends and for Remunerations of Salaried Employees of Corporations provided in the old Ordinances.

The new Ordinance has taken effect as from October 20, 1940, and any corporation holding its general meeting immediately after this date will be governed by its provisions regarding the disposal of profits, officers' bonuses and like matters.

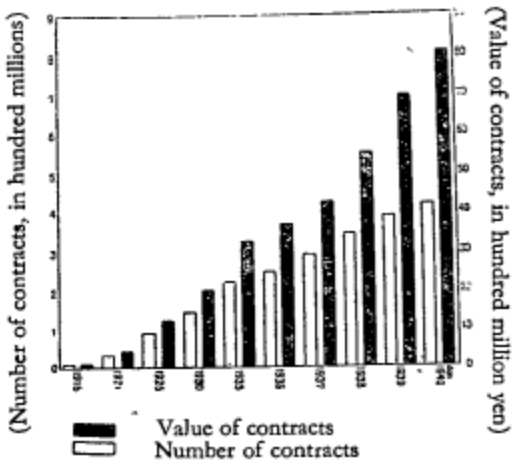
EIGHT BILLION YEN OF POST OFFICE LIFE INSURANCE CONTRACTS

DEPARTMENT OF COMMUNICATIONS

THE part played by post office life insurance in wartime can be viewed from the following two points : namely, that of the promotion of national savings and of the stabilization of national life.

The extent to which post office life insurance has contributed to the promotion and stabilization of national life has been reflected in the fact that the total value of outstanding contracts in insurance reached 8,000 million yen in round numbers, while the total number of contracts exceeded 430,000,000. In other words, an average of 560 contracts per 1,000 persons of the Japanese population is now in effect. This indicates how the system works in the direction of stabilization of our national life under the current emergency both from the material and spritual points of view.

Growth of Post Office Life Insurance



October 1, 1940, marked its 24 years of operation, during which period it made enormous strides, particularly in the last three years of the conflict with China. It showed, for example, an increase of 108 per cent in the value of outstanding contracts and of 56 per cent in the number of contracts as compared with the value and number of contracts in 1937. Thus, the extent of growth of the system in the past three years under the China Affair is greater than that in the preceding twenty years, a fact showing how the home-front has responded to the call of the hour.

With such a growth in the value of the contracts, the reserve fund amounted to 195,000,000 yen at the end of 1937, 247,000,000 yen at the end of 1938, and 2,000,000,000 yen in October, 1940. Needless to say, this reserve is held in readiness for payment of insurance

money, and at the same time constitutes one of the most important parts of the loan market of our country. It has been utilized most effectively for absorbing national bonds, financing the programme for expansion of productive capacity, and facilitating the economic construction of China. Nor can too strong emphasis be placed upon the importance of its functions in absorbing the purchasing power of the people, particularly of those connected with prosperous industries, thereby adjusting the consumption of goods and checking the rise in prices.

The competent authorities, early realizing the place of the system in the nation's effort for strengthening the home-front, organized a patriotic insurance campaign immediately after the outbreak of the China Affair.

In point of fact, post office life insurance is one of the most popular methods of cooperation in carrying out national policies. Since the system, unlike the ordinary saving accounts, does not provide for the drawing by depositors on their deposits, it amounts, in reality, to long-term deferred savings extending over 20 or 30 years. Moreover, as policyholders have to continue their payments of premium in monthly instalments, they will have to continue their saving most regularly. Such being the case, this system of life insurance in national life is fully established today.

In view of these considerations, Ibaraki Prefecture started a campaign for " one policyholder in every home," with appreciably good results. The Department of Communications has decided to expand this campaign to a nation-wide scope in connection with the commemoration of the 2,600th anniversary of the founding of the Empire. The enlarged campaign, which is a three year project, has now been energetically conducted under the joint auspices of the regional communications bureaus, prefectural governments, local post offices, and city and village authorities.

THE SITUATION IN CHINA

ACTIVITIES OF THE IMPERIAL NAVAL AIR FORCE

BOARD OF INFORMATION

BEFORE expiration of the three-month agreement between Japan and Great Britain, dating from July 17 and providing for the suspension of traffic in war materials along the Burma-Yunnan Road, Sir Robert Craigie, the British Ambassador, called on Foreign Minister Yosuke Matsuoka on the morning of October 8 and informed him that the British Government could not see its way clear for a renewal of the agreement. The British communication appears to have been a manifest reaction to the conclusion of the Three-Power Agreement between Japan, Germany and Italy which was reached on September 27. It also may have been closely related to the 25,000,000 dollar loan granted to the Chiang Kai-shek régime by the United States Government on the eve of the conclusion of the Japan-Germany-Italy pact. These Anglo-American measures evidently had a common motive for assisting the Chungking régime and thwarting Japan's military operations in China. Be that as it may, Japan made a tacit reply to the reopening of the Burma Road by bombing and disrupting it.

The Burma Road Under Survey

The so-called Burma Road covers a distance of 1,146 kilometres from Rangoon, capital of Burma, to Kunming (Yunnan-fu), capital of Yunnan Province in China. About 85 per cent of the entire route lies within Yunnan Province and a one-way trip over the distance takes eight days. Construction of the road was started in 1937 and was completed eighteen months later, in 1938, at a cost of 200,000,000 yuan by 200,000 labourers.

That portion of the Burma Road lying within Yunnan Province is divided into two sections for administrative purposes, one extending from Kunming to Shengpei and the western section extending from Shengpei to Yenting. These two sections are subdivided into seven smaller sections. West of Siakwan, the road is generally impassable during the rainy season because of frequent landslides. In addition, there are more than 370 bridges along the entire route, of which only 10 are of modern type. East of Siakwan there are two big bridges, both old ones, and west of Siakwan there are six modern

bridges. The most noted are those at Nuchiang (Hweitung), Yungping and Shengpei.

The Hweitung Bridge spans the rapids of the Nuchiang (Nu River), near the town of Luchiang, consisting of some 300 houses. The bridge has been rebuilt and re-enforced so that it can uphold trucks carrying up to three tons. The Yungping span is a suspension bridge over a rapid tributary of the Mekong River. Broader than the Hweitung Bridge and rebuilt on a modern foundation, it can support trucks carrying a load of five and a half tons. The Chinese Communications Ministry spent an enormous sum of money in constructing a suspension draw-bridge of the most modern type and it is guarded by scores of soldiers and anti-aircraft batteries even in peace-time. The Shengpei Bridge is not a suspension bridge and is surfaced with wood.

The Burma Road has two large bridges east of Siakwan, one in the western suburb of Hsiangyun and the other outside the eastern gate of Tsuyung. There is a relatively large bridge half-way between Hsiangyun and Tsuyung, in addition to about 90 medium-sized bridges and 288 smaller ones. All important bridges are well guarded and armed with anti-aircraft guns. There are repair facilities at important points along the road.

Until September, 1940, less than 200 trucks plied the Burma Road. Wireless service between Kunming and Rangoon was inaugurated on August 15, 1940, and the Burma Road offices in Kunming are connected with sectional offices by wireless and telephone.

There is a large repair garage in Kunming and smaller ones at Tali and Yenting.

Japanese Naval Air Arm Cuts Off Burma Route

On October 18, 1940, the very day on which Great Britain reopened the Burma Route, crack units of the Japanese naval air force swooped down on the road near the border of Yunnan Province and scored direct hits on a bridge spanning a gorge, seriously damaging it. The same day another powerful detachment of planes visited Kokiu, about 10 kilometres west of Mengtze, and effectively bombed a tin refinery there. Dense clouds hovering over the border area that day offered difficulty to the Japanese raiders, obscuring their targets, but a second bombing of the Burma Road was carried out on October 20 with satisfactory results against important bridges. Kokiu was raided again the same day, when Japanese naval planes attacked a munitions factory there. All Japanese planes returned safely to their bases on both raids. A third bombing was conducted on

October 21, destroying many important bridges one after another. On October 25, a fourth raid was carried out, Japanese naval air units scoring direct hits on the important Kungkuo Bridge across the upper reaches of the Mekong River between Shanyang and Paoshan, completely destroying it. The Commander-in-Chief of the Japanese Fleet in China Waters sent a message of congratulation to the commander of the naval air force on this splendid achievement.

On October 26, large Japanese naval air formations extended their flight to Lowing, in the western extremity of Yunnan Province near the Burma border, and attacked an airplane factory there, scoring direct hits which resulted in the complete destruction of the plant. Fires were started in several places within the factory compound and all Japanese planes returned safely to their bases. The raid was significant in that it was conducted by the naval air force over a long distance and over mountainous territory and also because the factory was one of the largest of its kind in China. Its loss must have been a severe blow to the Chungking régime.

Again on October 28 a naval air detachment visited the Salween River (Nuchiang) and effectively bombed the important bridge spanning it. Other crack units of the Japanese naval air force raided Kunming, bombing military targets there, including a powder magazine on the northeastern outskirts of the town. The next day another bombing expedition was carried out against the Burma Road. The Hweitung Bridge across the Salween River was bombed and completely destroyed, thus interrupting the Burma Route not only at the Mekong River but also on the Salween River. The same day another naval air unit made a surprise attack on Chanyi, key point on the highway between Kunming and Kweiyang, capital of Kweichow Province, about 60 miles northeast of Kunming. In the ensuing air battle, the Japanese shot down one Chinese plane and destroyed another on the ground.

Messages of congratulation on its splendid achievements were sent to the naval air arm by H. I. H. Fleet-Admiral Prince Hiroyasu Fushimi, Chief of the Naval General Staff, Admiral Koshiro Oikawa, the Navy Minister, Admiral Shigetaro Shimada, Commander-in-Chief of the Japanese Fleet in China Waters, and General Gen Sugiyama, Chief of the Army General Staff.

Thus the Burma Route, on which the Chiang Kai-shek régime as well as Great Britain and the United States pinned their last hopes, has been smashed by the Japanese naval air arm. The Chungking régime apparently is making frantic efforts to repair the destroyed bridges, but the Japanese naval air force will repeat its bombings again and again whenever the route is reopened to traffic.

ENLARGEMENT AND REORGANIZATION OF THE GOVERNMENT AGENCY FOR INFORMATION

Board of Information

In the past, governmental activities in connection with information and publicity were conducted separately, according to their nature and purposes, by such agencies as the Bureau of Information, Department of Foreign Affairs, the Bureau of Information, War Department, and the Publicity Bureau, Navy Department —the Books Section of the Bureau of Public Order, Department of Home Affairs, also sharing part of the responsibility from the point of view of the censorship of publications. In the course of time, therefore, the necessity for setting up an agency for connecting and coordinating those related activities performed by different Departments had come to be felt, with the result that the Commission of Information was established in July, 1936, as a Cabinet agency, which was reorganized and enlarged, in September, 1937, as the Cabinet Information Bureau. Despite the reorganization, however, the main functions of the Bureau have remained within the scope originally defined.

In the meantime, the establishment of an enlarged, comprehensive machinery for the unified, efficient carrying out of this important activity of the modern State has become a matter of urgent necessity, in the face of new developments in the internal and external situation. The Government, therefore, decided on the measures for realizing the necessary reorganization and enlargement, and the Board of Information came into being on December 6, 1940, covering all the activities connected with information and publicity handled by the aforementioned government agencies.

The new Board supervised by the Prime Minister, and under a President, who is assisted by a Vice-President and private secretary, 51 secretaries, 89 clerks, and 1 engineer, compose the regular staff; while a group of specialists are appointed as special staff members. The most noteworthy point in this setup is that the Vice-President as well as all the secretaries, who are senior officials in status, may be specially appointed upon recommendation by the Civil Service Examination Commission, from among those who have the expert knowledge and experience necessary for such duties. The reason for this new departure in the organizational practice of officialdom

is to be found in the fact that the jurisdiction of the new Board covers the special fields of governmental activities which cannot be efficiently carried out otherwise, as well as in the desire on the part of the Government to seek men of ability from far and wide.

In addition to these regular and special staff members, the Cabinet may appoint secretaries as liaison officers from among the senior officials of the related Government Departments. Councillors up to 15 in number may also be appointed by the Cabinet from among men of expert knowledge and experience. Thus, men of influence, intimately connected with the field of information and publicity will be enabled to participate in the activities of the Board.

The administrative machinery of the Board is divided into the Secretariate of the President and 5 Bureaus. The Secretariate has two sections: one handling general affairs and the other effecting coordination and connection inside and outside of the Board. The Bureaus are: the First, Second, Third, Fourth and Fifth Bureaus. The ranking secretaries are appointed as the Directors of the Bureaus. The First Bureau deals with matters relating to planning, information and investigation; the Second Bureau relating to information including press, periodicals and broadcasting; the Third Bureau relating to information, publicity and cultural work abroad; the Fourth Bureau relating to censorship and editing; and the Fifth Bureau relating to cultural and publicity work at home.

The primary and first function of the Board is, according to the Ordinance governing the organizations of the Board of Information, "the gathering of information, publicity and enlightenment concerning matters forming the basis for the execution of national policies." The second is "the disposition as provided in Article 20 of the National General Mobilization Law relative to press and other publications." In the past, the Minister for Home Affairs had jurisdiction over matters concerning such control and disposition. With the invocation of Article 20 of the National General Mobilization Law, however, these matters, in so far as they are related to the National General Mobilization Law, are placed under the control of the Prime Minister, and the actual handling of these affairs is now entrusted to the new Board. Nevertheless, such supervision and disposition as are related to the maintenance of peace and order in general will be left under the jurisdiction of the Home Minister as heretofore.

The third function is "the guidance and control of broadcasting by telephone." As is well known, with the rapid growth in the modern wireless phone, broadcasting has become one of the most efficient means of publicity. Hence the Board is empowered to

exercise guidance and supervision over the contents of broadcasting at home and abroad.

The fourth function is "the guidance and supervision necessary for enlightenment and publicity concerning matters forming the basis for the execution of national policies, through motion pictures, phonograph records, theatrical performances and other entertainments." The idea is to enlist the cooperation of these popular entertainment agencies. When deemed necessary, the Board is authorized to call for the cooperation of other Departments in carrying out its activities.

Thus, the establishment of the Board of Information marks a significant step, not merely in unifying all information activities of the Government, but in effecting the closest collaboration between the Government and people for the realization of national purposes. Nor can the important part to be played by the new Board in the promotion of the new Japanese culture be lost sight of.

STATEMENTS OF THE FOREIGN OFFICE SPOKESMAN

I

—Concerning the Participation by Rumania in the Three-Power Pact, Issued on November 23, 1940—

FOLLOWING the recent participation of Hungary in the Three-Power Pact, Rumania decided also to join. Accordingly, in Berlin today (November 23, 1940) a Protocol was signed between the plenipotentiaries of the Powers concerned—namely, Ambassador Saburo Kurusu, Foreign Minister Joachim von Ribbentrop and Ambassador Gino Buti on the one hand and Prime Minister General Ion Antonescu of Rumania on the other. The Protocol, which came into force immediately upon signature, is similar in contents to that providing for Hungarian participation.

It is most gratifying that the Three-Power Pact has acquired these new participants. For it demonstrates the fact that the efforts of Japan, Germany and Italy are bearing fruit toward the realization of their lofty ideal for a new world order and an enduring peace based upon justice.

II

—Concerning the Participation by Slovakia in the Three-Power Pact, Issued on November 24, 1940—

The Three-Power Pact, in which Hungary and Rumania had already joined, has acquired in Slovakia still another participant. In Berlin today (November 24, 1940) a Protocol was signed between the plenipotentiaries of the countries concerned, and came immediately into force. The stipulations of the instrument is the same as in the previous protocols.

Slovakia, now an active participant in the construction of a new world order, is a country that became an independent state upon the dissolution of Czecho-Slovakia on March 14 of last year. Recognized by Japan in June and by Manchoukuo soon after, the new State has been making steady progress ever since.

JURISTIC PERSON TAX LAW[1]

ARTICLE 17

If the amount of money held back by a family company during each business year includes the amount falling under either one of the following numbers, the Government may find the percentage of the sum total of the results obtained by multiplying the amount less than 50,000 yen by $\frac{20}{100}$, the amount less than 100,000 yen by $\frac{30}{100}$, the amount less than 500,000 yen by $\frac{40}{100}$, the amount less than 1,000,000 yen by $\frac{50}{100}$, and the amount of 1,000,000 yen and up by $\frac{65}{100}$, which comprise the annual income of such family company calculated on the basis of income during its business year, to the total amount of such annual income; it may make such percentage the rate of juristic person tax to be imposed on the sum falling under either one of the following numbers (if it falls under both of them, the one greater in amount); and then may add the amount of juristic person tax thus obtained to the other portion of juristic person tax imposed on income of such family company acquired during each business year:

1. When the amount held back from income during each business year exceeds an amount representing three-tenths of income during the business year concerned, the excess amount.
2. When the aggregate amount of the remainder of the amount held back from income during each business year, after deducting an amount representing one-tenth of incomes during the business year concerned and reserves as at the end of the business year concerned exceeds an amount equivalent to one-half of the amount paid up on shares or contributions as at the end of the business year concerned, the excess amount; provided that if the amount of reserves as at the end of the business year concerned exceeds one-half of the amount paid up on shares or contributions, such excess amount shall be deducted.

The amount of income during each business year and the money held back out of such income, referred to in the preceding paragraph, shall be the remainder of the amount of income during each business year and the money held back out of such income after deducting from both of them an amount payable as juristic person tax on income and capital in the business year concerned (not includ-

[1] Continued from the December, 1940, issue of TOKYO GAZETTE.

ing the additional tax referred to in the preceding paragraph) and an amount payable as excess profit tax deductible in accordance with the provisions of Article 14.

"Family company" within the meaning of the present law is a juristic person having an amount of shares or having made contributions as a shareholder or partner and those who have special relations with such company as relatives, employees and juristic persons connected with it in making contributions as prescribed by Ordinance, equivalent to or more than one-half of its total amount of shares or contributions.

ARTICLE 18

Juristic persons liable to pay juristic person tax shall declare to the Government the amount of income and capital, affixing a list of items of property, the balance sheet, the profit and loss accounts or the computation table in regard to liquidation or merger and detailed description of income and capital calculated in accordance with the provisions of Articles 4 to 9. Juristic persons not having a head office or principal place of business in the area where the present law is in force shall affix to such declaration in addition to the documents mentioned above detailed description of income including profit and loss accounts arising from assets or enterprises in the area where the present law is in force and detailed description of assets or capital for enterprises in the area where the present law is in force.

The provisions of the preceding paragraph shall apply with necessary modifications to the case where there is no income or capital subject to juristic person tax payable by juristic persons referred to in Article 1.

ARTICLE 19

The amount of income and capital shall be determined on the basis of the declaration under the preceding article. In default of such declaration, or should the declaration be deemed improper, it shall be determined on the basis of investigations by the Government.

ARTICLE 20

If it is necessary for the purpose of investigation, the Chief of each Tax Office or his deputy may question juristic persons liable or deemed to be liable to pay the tax or may examine their books, documents and things.

ARTICLE 21

If it is necessary for the purpose of investigation, the Chief of each Tax Office or his deputy may question persons deemed to be under obligations in money or things for or persons deemed to have claims in money or things against juristic persons liable or deemed to be liable to pay the tax, in respect to the amount, number or volume, prices and the date of payment.

ARTICLE 22

When the amounts of income and capital have been determined in accordance with the provisions of Article 19 or the addition of the tax has been determined in accordance with the provisions of Article 17, the Government shall notify the juristic person liable to pay the tax thereof.

ARTICLE 23

Should the juristic person liable to pay the tax be dissatisfied with the amounts of income and capital or the additional tax notified by the Government in accordance with the provisions of the preceding article, it may, within 20 days from the day of receipt of such notice, apply to the Government for a reinvestigation, stating the cause of its dissatisfaction.

Even in cases where application has been made under the preceding paragraph, the Government shall not defer the collection of the tax.

ARTICLE 24

When an application has been made under paragraph 1 of the preceding article, decision shall be made by the Government on the basis of a resolution by the Income Reinvestigation Committee under the Income Tax Law.

The provisions of Article 38 and Article 68, paragraph 2 of the Income Tax Law shall apply with necessary modifications to the preceding paragraph.

ARTICLE 25

Juristic persons dissatisfied with the decision under paragraph 1 of the preceding article may file a petition, or bring an action in the Court of Administrative Litigation.

ARTICLE 26

The juristic person tax shall be collected in each business year;

provided that juristic person tax on liquidation income shall be collected at the time of liquidation or merger.

ARTICLE 27

In the case where a dissolved juristic person has distributed the remaining property without paying juristic person tax on income or capital in each business year or juristic person tax on liquidation income the liquidators are jointly liable to pay the tax.

ARTICLE 28

Should the acts or accounts of a family company be found to have as their object the evasion of juristic person tax, the Government may, despite such acts or accounts, calculate the amount of income and capital according to its findings.

ARTICLE 29

Persons who have evaded juristic person tax by fraud or other illegal act shall be liable to a fine or minor fine of three times the amount of tax evaded, and the amount of tax involved shall be collected forthwith ; provided that the offence shall not be prosecuted in the case of persons who have denounced themselves or who have informed the Chief of the Tax Office.

ARTICLE 30

Persons who have refused, impeded or evaded the examination of books, documents and things as prescribed by Article 20, or persons who have submitted books and documents containing false entries shall be liable to a fine not exceeding 1,000 yen.

ARTICLE 31

If persons who are or have been engaged in the duty of investigating or reinvestigating income or capital of juristic persons, divulge, without justifiable cause, any secret of which they have gained knowledge by virtue of such investigation or reinvestigation, they shall be liable to a fine not exceeding 1,000 yen.

ARTICLE 32

The provisions of the proviso to Article 38, paragraph 3, Article 39, paragraph 2, Article 40, Article 41, Article 48, paragraph 2, Article 63 and Article 66 of the Criminal Code shall not apply to per-

sons who have committed the offence of Article 29 of the present law.

ARTICLE 33

Hokkaido and prefectures, cities, towns, villages, and other public bodies may not surtax on the basis of juristic person tax.

Supplementary Provisions

ARTICLE 34

The present law shall be put in force as from April 1, 1940.

ARTICLE 35

The present law shall apply in respect of juristic person tax on income and capital in each business year beginning with the income obtained and the capital existing in the business year ending on or after April 1, 1940; and in respect of juristic person tax on liquidation income, beginning with the income obtained from dissolution or merger on or after April 1, 1940.

ARTICLE 36

Class 1 income tax, surtax thereto, juristic person capital tax and the tax corresponding to surtax to Class 1 income tax as prescribed by Ordinance, payable for the business year immediately preceding that which includes April 1, 1940, shall be deemed as juristic person tax, and [as such] the provisions of Article 4, paragraph 2 shall apply thereto; the same shall apply, in the case of a juristic person mergered before the enforcement of the present law, in respect of Class 1 income tax and surtax thereto, juristic person capital tax and the tax corresponding to surtax to Class 1 income tax, as prescribed by Ordinance, and Class 1 income tax, and surtax thereto imposed on liquidation income in the last business year of the juristic person extinguished by merger, should the business year inclusive of the day of merger, of the juristic person continuing to be in existence after the merger or the juristic person formed by the merger end after the day of enforcement of the present law.

ARTICLE 37

Excess profit tax payable for each business year before the business year immediately preceding the business year which includes April 1, 1940, shall be put into loss account in the calculation of the amount of income of juristic persons in each business year, notwithstanding the provisions of Article 4, paragraph 2.

ARTICLE 38

The provisions of Article 16, paragraphs 2 to 4 shall apply to the amount of income tax on the Class 2 income and capital interest tax which has been paid by juristic persons in the business year ending after the enforcement of the present law or in course of liquidation caused by dissolution after the enforcement of the present law, being deemed to be the amount of classified tax on dividends from profit or interest as provided in Article 10 of the Income Tax Law.

ARTICLE 39

A part or the whole of the amount of tax on mineral products, special tax on mineral products or tax on bourses which has been paid by juristic persons in the business year ending after the enforcement of the present law, shall be deducted from the amount of juristic person tax on income during the business year concerned.

ARTICLE 40

When juristic persons possess national bonds subject to tax on interest on public bonds and corporation debentures, the provisions of Article 13 shall apply to the tax on interest on public bonds and corporation debentures imposed on interest for the period of holding such national bonds, being deemed as special tax on dividends from profit or interest.

ARTICLE 41

The phrase "and juristic person tax" shall be inserted below the phrase "income tax" in Article 22 of the Religious Organizations Law.[1]

No juristic person tax shall be imposed in respect of "Buddhist establishments" as provided in Article 35, paragraph 1 of the Religious Organizations Law.

[1] Article 22, paragraph 1 of the Religious Organizations Law, Law No. 77 of April 8, 1940, reads:

Religious organizations shall be exempted from income tax as prescribed by Ordinance.

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JAPAN'S FOREIGN RELATIONS IN 1940

DEPARTMENT OF FOREIGN AFFAIRS

AS the fourth year of the China Affair and as the second year of the European conflict, 1940 was a year fraught with events of historic, world significance. While a new world order has begun to emerge with recent developments in the situation in our part of the world as well as in Europe, the activities of the *status quo* Powers intended to arrest the growth of the new order have become increasingly energetic and serious. In the face of such a state of affairs Japan has steadfastly pursued a policy for checking the world-wide spread of the current hostilities and for establishing a permanent peace founded upon the principle that every nation and people should have each its own proper place. It is true that her endeavours along that line have not been appreciated by those Powers, and consequently considerable difficulties were experienced in advancing the cause for which she stood; nevertheless, enormous strides have been made during the past year toward the realization of her rightful purpose in that the Three-Power Pact between Japan, Germany and Italy and the Treaty between Japan and China were concluded. Against this general background, our foreign relations in 1940 will be reviewed in these pages.

Japanese Foreign Policy

Non-involvement in the European War, which had marked Japanese foreign policy since the outbreak of the hostilities, underwent no change under the new Cabinet of Admiral Mitsumasa Yonai which succeeded, on January 16, to the Abe Cabinet, and its main efforts were concentrated upon the settlement of the China Affair. Thus steps were taken to cope with the progress of the plan for the establishment of the new Central Government in China while keeping a careful watch on European developments and their possible repercussions in this part of the world.

In the meantime, there took place an incident which made the Japanese aware of the possibility of such repercussions. On January 21, the Japanese liner "Asama Maru," which was on her return voyage to Yokohama from Honolulu, was visited off the coast of Baso Peninsula by a British man-of-war, which took the forcible measure of removing 21 German passengers without valid

grounds. Thereupon the Japanese Government, on January 22, lodged a vigorous protest against the British Government through Sir Robert Craigie, British Ambassador at Tokyo, and at the same time carried on negotiations with the British Government through Mr. Mamoru Shigemitsu, Japanese Ambassador at London. On February 5, the British Government stated that it was unable to accept the validity of the legal arguments contained in the Note of the Japanese Government, that as an earnest of its desire to reach an amicable settlement of the case, it was, while reserving all its legal rights, prepared to release nine of these men who are unsuitable for military service. Accordingly, on January 29, these men were handed over to the proper Japanese authorities off the Yokohama harbour and the case was settled.

When the hostilities in Europe spread to Northern Europe and the German advance into the Low Countries was reported as well, Mr. Hachiro Arita, our Foreign Minister, enunciated, on April 15, the policy of the Japanese Government concerning the maintenance of the *status quo* of the Netherlands East Indies. Thereupon, Mr. van Kleffens, Netherlands Foreign Minister, made it clear that his Government have no intention whatever of altering the *status quo*.

When the German advance into the Low Countries actually took place on May 10, our Government made representations to Germany, Great Britain and France, expecting them to share the same views with Japan regarding the maintenance of the *status quo* of the Dutch colony. At the same time the Government called the attention of the neutral countries, the United States and Italy, to its deep concern over any development that would affect the *status quo* of the islands. To these communications the British Government on May 13, the Netherlands Government on May 15, and the French Government on May 16, respectively, sent replies agreeing to the Japanese views on the question. Subsequently, the Netherlands by the surrender of her army came under the control of Germany, but the *status quo* of her colony in the East Indies underwent no change.

In the face of the new situation created in Europe by German military successes, it became imperative for Japan to establish the Greater East Asian sphere of common prosperity by enlarging her programme for the construction of a new order in East Asia. Accordingly, she began to negotiate with the Dutch colony for strengthening the economic collaboration of the two countries. In the meantime, the Yonai Cabinet resigned, and on July 22, the second Konoe Cabinet was organized. The new Cabinet decided to send there Mr. Ichizo Kobayashi, Minister of Commerce and

Industry, as a special envoy. Arriving in Batavia on September 11, Mr. Kobayashi commenced negotiations with Mr. van Mook, the chief delegate of the colony, which mission was successfully handed over later to Mr. Kenkichi Yoshizawa, new envoy, who is continuing negotiations there at this writing.

Tripartite Pact

The advent of the second Konoe Cabinet was marked by the start made by the Japanese nation in the establishment of a new national structure capable of meeting the rapid changes in the European situation, in the setting up of a highly organized structure for national defence and also in a *volte-face* in Japanese national policies, domestic as well as foreign.

An important European development that had a vital bearing upon our position in East Asia was the capitulation of France in June. The Japanese Government took steps, in this connection, to effect a speedy settlement of the China Affair, first by closing the Burma and French Indo-China routes, and then by despatching Japanese forces into the French colony on September 23.

The most significant step, however, was the conclusion of the Tripartite Pact on September 27. The ultimate purpose of the Pact, as has been made clear, is to establish a lasting world peace by ensuring a new order of things wherein every nation of the world will be given each its own proper place. To that end the three countries have agreed to stand by and cooperate with one another in their efforts in Greater East Asia and in Europe, respectively. Thereafter several other countries adhered to the Treaty—Hungary on November 20, Rumania on November 22, and Slovakia on November 23—thereby augmenting its power and influence as the basic factor in the construction of a new world order.

Recognition of the New National Government in China

The movement for establishing a new Central Government had been under way in China since the previous year. On March 12, memorial day for the late Dr. Sun Yat-sen, Mr. Wang Ching-wei, its leader, proclaimed in Nanking the reconstruction of China through peace and announced the establishment of the New National Government. Accordingly, the Japanese Government enunciated, on March 13, its attitude of positively supporting the new Government. Thereupon, necessary constitutional and legisla-

tive steps were taken by the Chinese leaders to complete the organization of the Government as well as to decide on the policy of adjusting relations with Japan. It was announced, in that connection, that Mr. Wang Ching-wei should act as deputy chairman of the Government until the return to Nanking of Mr. Linsun, who was then in Chungking. On the gala day of April 26, rites were enthusiastically performed in celebration of the return of the capital to Nanking.

To these actions taken by the Chinese leaders, the Japanese Government heartily responded, and despatched to Nanking General Nobuyuki Abe, former Prime Minister, as a special envoy. Since his arrival on April 23, four months had been devoted to negotiations for the purpose, and on November 30, General Abe and Mr. Wang, the plenipotentiaries of the two nations signed the Treaty Concerning the Basic Relations between Japan and China, the Protocol annexed thereto and the Agreed Terms of Understandings, following which the Plenipotentiaries of Japan, Manchoukuo and China signed the Joint Declaration of the three countries. Thus not only relations between Japan and China have been readjusted but also the collaboration between the three countries, including Manchoukuo, were irrevocably affirmed. This was certainly a gigantic stride in the construction of a new East Asia on a basis under which the Greater East Asian sphere of common prosperity might be established.

Anglo-American Collaboration against Japan

As has been stated, with the progress of our programme for East Asia and for the Greater East Asian sphere of common prosperity in particular, activities of the United States and Great Britain relating to the South Seas region by way of counteracting Japanese policy there, as well as those in aid of the Chiang Kai-shek régime became increasingly overt and intense. The result was a growing tension in Anglo-Japanese and Japanese-American relations, from which situation we have not emerged at this writing.

With regard to Japanese-American relations, indications of their aggravation first appeared at the time of the notification, on July 27, 1939, by the United States government of its intention to abrogate, on a six-months' notice, the Japanese-American Treaty of Commerce and Navigation. Despite every effort made by the Japanese authorities to readjust relations, no response was made by the American authorities, with the result that a treatyless situation has been created since January 26, 1940. On the other hand, aid to the

Chungking régime, in the form of a 20,000,000 dollar additional loan was announced, on March 7, by Mr. Jesse Jones, Federal Loans Administrator. A new loan of 25,000,000 dollars made public, on September 25, three days after the publication of the advance of Japanese forces into French Indo-China, by the Export and Import Bank at Washington was no other than another reinforcement to Chungking's strength. After the conclusion of the Tripartite Pact, American aid to the Chiang régime was more and more intensified. Thus, following the signing of the basic treaty between China and Japan, the accommodation of a huge loan amounting to 100,000,000 dollars was published on December 1.

The other type of American policy against Japan took the form of economic measures, which were first seen in the abrogation of the Treaty of Commerce and Navigation, as has been explained, and later in the ban on exports to Japan. Even prior to the conclusion of the Tripartite Pact, that is, on October 26, President Roosevelt ordered an embargo on exports of scrap iron and steel to Japan, effective as from November 16. Besides, in connection with the aid to be given to Britain, there is in progress a programme for armament expansion on a gigantic scale. There is also a rumour to the effect that the common defence and joint use of naval bases in the Pacific are being considered seriously. Advice given on October 8 for the evacuation of Americans residing in East Asia might have had something to do with the aforementioned American policies.

Following in the American footsteps, the British Dominions and Colonies, such as Canada, India, Malay and others, adopted an embargo on exports of copper, tin and other materials to Japan. The British Government, as if vying with the American loan of 100,000,000 dollars referred to elsewhere, published on December 10, the loan of 10,000,000 pounds to be accommodated to Chungking.

The reopening of the Burma Road to traffic on October 18 must be remembered also as an indication of the British attitude toward Japan. It is recalled that on July 17, the route was closed for three months by the agreement reached on July 17, between Mr. Hachiro Arita, our Foreign Minister, and Sir Robert Craigie, British Ambassador to Japan. The expiration of that term gave an occasion for this British aid to Chungking.

Soviet Russia and Other Countries

The place of the Soviet Union in our foreign relations has of late become increasingly important. Efforts were exerted, therefore, to readjust the relations between the two countries, following the

conclusion of the Nomonhan Truce on September 15, 1939. The signing, on December 31, 1939, of the Protocol concerning the prolongation for one year of the duration of the Japanese-Soviet Fishery Convention[1] of January 23, 1928, the meeting in conference, at Harbin, in January, 1940, the Commission on the precise demarkation of the frontier in the Nomonhan area, and the opening of negotiations for a trade agreement in the same month, were the fruits of such efforts. The readjustment of relations in general, however, have since made little progress, and the matter is being taken up again, at this writing, by our new Ambassador at Moscow, Lieutenant-General Yoshitsugu Tatekawa, who was appointed by the Konoe Cabinet after the turn of the tide of affairs following the conclusion of the Tripartite Pact.

With regard to relations with France since her capituation, most of our negotiations have been related to her colony in Indo-China, whose position might have a vital bearing upon the settlement of the China Affair and consequently upon the construction of the new order in East Asia. Thus a representation was made to the French Government, on June 19, regarding the prohibition of the transportation through French Indo-China of war materials and goods in aid of the Chiang Kai-shek régime, requesting at the same time that the French Government should consent to the dispatch of Japanese inspectors for the purpose of making investigations of actual conditions on the spot. To that request the French Government consented on the following day, and the Japanese Inspection Commission headed by Major General Issaku Nishihara arrived in Hanoi on June 29. Since then negotiations for the readjustment of relations with French Indo-China had been conducted first in Hanoi and then in Tokyo, with the result that a military agreement was reached on September 22. Thereupon Japanese forces advanced into the French colony. Furthermore, the Japanese Government dispatched Mr. Hajime Matsumiya, special envoy, to the colonial capital in October, with a view to promoting economic cooperation in connection with the Greater East Asian sphere of common prosperity, which resulted in the dispatch of a French delegation to Tokyo. At this writing negotiations are going on smoothly and in a most friendly atmosphere in Tokyo.

Our review of the past year will not be complete without mentioning the conclusion, on June 12, of the Treaty between Japan

[1] As this goes to press, it is reported that a *modus vivendi* concerning the fishery question had been signed on January 21, 1940, at Moscow and, at the same time, the appointment of a mixed commission concerning the new treaty which is to be concluded within the present year agreed upon.

and Thailand concerning the continuance of friendly relations and mutual respect of each other's territorial integrity. The furtherance and solidifying of friendly relations with Italy, achieved through sending, in March a mission headed by Mr. Naotake Sato, former Foreign Minister, and the promotion of economic relations between Argentina, Mexico and Spain through the visit of missions from those countries in February, April and July, respectively, must also be noted as no less important diplomatic moves during the year.

In thus looking back upon the major events in our foreign relations during the past year, what looms large as the most vital factor in determining our future action is the move of the United States, under President Roosevelt elected for the third term, in connection not only with Pacific affairs but also with the European War. To comment on this outlook, interesting as it would be, is beyond the scope of the present article. It may be permissible, however, to hope that the wisdom and intelligence of her leaders will prevail over popular excitement and sentimentality and in particular over forces that would ultimately lead to the destruction of human civilization.

ON THE NEW ECONOMIC STRUCTURE

BOARD OF PLANNING

MODERN war is the greatest consumer of goods and materials. As has been witnessed today, its demand for them is almost unlimited. This characteristic was already noticeable in the last World War. The total German output of steel in 1913, for instance, was approximately 17,000,000 tons, with a monthly average of 1,400,000 tons. In the last two years of the hostilities her munitions industry alone consumed that metal up to 1,000,000 tons per month. In Great Britain, on the other hand, the pre-war military consumption of wool, which represented less than 1 per cent of the civilian consumption, amounted, in 1917, to the volume corresponding to the total annual demand of the country—an increase nearly of a hundredfold. In all these cases, however, the increase of supply had not kept pace with that of demand since the very beginning of the War. In order to wage a successful war, therefore, it becomes imperative for a modern nation to curtail the general demand for goods in accordance with the wartime capacity to supply, and consequently to take such measures as to determine priority in supply on the basis of the demand for war materials and to carefully plan for the balancing of supply and demand. Such being the case, in modern war, bitter struggles for ensuring a sufficient supply of goods and materials, along with the armed conflict, will be carried out on the entire economic front; and for the gaining of the mastery of the enemy all conceivable means in all phases of economic activity will be employed by each warring nation. Nor is it to be wondered at, under these circumstances, that such a nation will make the utmost efforts in economic warfare, reorganizing its economic system on the basis of autarchy.

Expansion of Productive Capacity

The Japanese economic system is accordingly called upon today to maintain an unqualified superiority over any of the potential enemies in economic warfare as well as in the armed conflict, ensuring a sufficient supply of war materials without depending upon the resources of other countries. Hence there arises an urgent necessity of the expansion of productive capacity. However, in order to augment the capacity to produce for the immediate purpose of

national defence on the basis of the given resources, such a method as to make war industries more profitable than any other enterprise must be adopted. This method will necessarily result in the absorption of materials by the munitions industry, causing thereby an ill-balance in the suppy and demand of general civilian goods. Furthermore, in order to maintain predominance over other industries in the production of goods, the munitions industry must raise the prices of its goods *ad infinitum* over those of other goods. It is evident, therefore, that this method is an unfeasible one.

The other methed is to control production, distribution and consumption in general. As a matter of fact, this method has been employed in Japan since the outbreak of the China Affair. Accordingly, national productive resources are classified into three categories: namely, those for the repletion of war materials, those for the expansion of the munitions industry and those for guaranteeing the people the minimum necessaries of life, thereby controlling the operation of national economy in all phases of production, distribution and consumption. It is regrettable, however, that the result of this measure seems to have fallen short of expectations. The failure has been attributed, to no small extent, to inefficiency in the control technique of bureaucracy, but its basic causes lie, in reality, in the defects of controlled economy itself.

These methods, founded upon the liberal principles in the liberal economic structure, have tried to direct, as occasions required, the operation of national economy to certain definite courses by the exercise of the legal as well as administrative powers. Therefore, private enterprises are carried on in accordance with their own purposes managing them with a view mainly to obtaining a maximum profit. There is no system of coordination or control among them, but free competition has reigned. In other words, these private enterprises have not been operated as units or coordinated parts of national economy. Consequently, control has tended in restricting economic freedom, to take the form of negative injunctions such as, "These goods must *not* be produced"; or "Do *not* use these materials beyond the quotas"—an endless series of "must-nots" and "do-nots." It implies that you may do anything unless otherwise specified. The search for the loop-holes in the "must-nots," has now become the chief concern in the economic operation. If standards of size and quality were set on certain commodities, these standardized commodities would immediately disappear, and non-standardized goods would take their place in the market. And if prices were fixed on certain commodities, they would speedily pass out of sight in the market, which, in turn,

would be flooded with non-controlled goods. Under these conditions, however, a smooth economic operation cannot be expected, particularly when there exists shortage both of labor and materials as is the case today. Inevitably, "must-nots" will increase their numbers until there will be left no freedom in the liberal economic system itself. The term "restrictive economy" expresses in a way the real situation.

The Immediate Objective of the New Structure

In view of the above situation voices have been raised of late for the revision of excessive control. The measures referred to as "excessive control" have not been enforced unnecessarily; they have their *raison d'être*. It is not excessiveness of control but its shortcomings that should be condemned. The new economic structure, therefore, aims, first of all, at the lubrication and adjustment of wartime economy by revising the *modus operandi* of restrictive economy which has thus far caused, to a certain extent, a shrinkage in national economy and diminished its vitality. Furthermore, control by authority is liable to set up the controlling and the controlled in opposition to each other, thereby creating the tendency of distrust between the two parties and developing an undesirable situation of alienating the people from the government. Accordingly it has become very evident that the establishment of a new economic structure is a matter of urgent necessity. This task can be achieved only by the planned operation of the economic system, that is to say, by carrying out a comprehensive planned-economy.

As previously mentioned, in order to meet huge production requirements on the basis of the given productive capacity, namely, labour, materials and capital, it is inevitable that the order of their urgency should be determined, their scope be regulated, and productive resources be distributed in accordance with national purposes. And as such planned production is enforced, it will also become unavoidable that the distribution and consumption of materials should be planned. Thus a comprehensive programme for the operation of national economy will be established.

It is impossible to accomplish the objective, however, by leaving the private enterprises to manage their own affairs. They should be coordinated and unified as units of national economy. To this end two methods may be adopted: the first is State management or nationalization of industry. The establishment of a great number of government-controlled corporations,

as is seen today, is based upon this principle. However, nationalization of enterprises or management of private enterprises by government-controlled corporations is to repudiate private enterprises and the use of their experience and efficiency. Such repudiation is not only contradictory to the best utilization of the resources, both human and material, but also apt to diminish national productivity. This is not then the method to be adopted under the current emergency when there is urgent call for the closest cooperation between the Government and people and for the highly effective utilization of the resources.

The second is to coordinate and organize all enterprises as units of national economy, making such a structure the centre of economic operation. By so doing the State can exercise its unitary control over the enterprises for the accomplishment of national purposes. Through the working of the above structure the State can establish the most effective economic planning, enabling each individual enterprise to perform its assigned function. In other words, the private enterprises cease to operate according to their individual purposes. Such organization involving this method was decided upon at the recent meeting of the Cabinet Council as a new economic structure.

The Supreme Economic Council

Various thesis have been advanced by different private economic organizations regarding a new economic structure, but they are, on the whole, quite similar in character. The only difference between them and the Government plan relates to a central supervisory agency or the Supreme Economic Council. Since the Government has made clear that a supreme agency for controlling the entire industry shall be established as occasions demand, it recognizes the necessity of such a central organ. It is, however, not only difficult immediately to set up such a supervisory agency covering all industries, but also may hinder the smooth working of the new economic system. Consequently, the Government has provided that the organization not of one but of several supervisory agencies shall be established on the principle of priority, beginning with the basic industries. It is evident, therefore, that the Government is prepared, in the operation of national economy, to place itself in a position mainly to carry out the general supervision and guidance of industries through those agencies in such a way as to leave room for their own autonomous supervisory activities. Under the present administrative system, however, governmental control will very

likely result in such complexities as "wheels within wheels." To set up the Supreme Economic Council without reorganizing the administrative mechanism will certainly aggravate this tendency.

The present administrative system, built essentially upon economic liberalism, does not necessarily fit well for carrying out a comprehensive economic planning as contemplated. It is necessary, therefore, that the Government agencies in charge of economic activities, which function today in merely supervising and assisting private enterprises from outside, should be reorganized as an agency for definitely participating in the operation of planned economy, a complete reorganization which is made possible only through organizing governmental and private economic mechanisms into a unitary system. Without taking such steps, the establishment of the Supreme Council will only create various frictions. For this reason the Government has made clear that in keeping with the perfection of the new economic structure the administrative machinery shall be reorganized and its functions be redefined. Thus the creation of the Supreme Economic Council has been deferred.

How the New System Will Work?

With regard to the question as to how the new economic system will work, the following account will explain it. When the State is in need of 10,000,000 tons of iron to be produced this year, the Government will notify the fact to the leaders of iron interests. Taking their recommendations into consideration, the Government will order the leaders to turn out the said amount of the metal, on the basis of the given labour and materials and of the specified qualities and prices. In this case, the said leaders are not only responsible to the State for the necessary production but also are vested with the power to decide the means of production and direct the enterprises for ensuring the required output. They will allot to each member producer the production quotas in accordance with the determined policy on condition that full play shall be given to production efficiency by coordinating the entire equipment, labour and materials. Producers, with these given quotas, are responsible to the leaders for the required amount, and on their own initiative and according to their abilities they are to choose the means and methods of production.

In this way the leaders of producers' groups will naturally have the power of supervision and leadership over the members of their groups and a voice in appointments and dismissals of those engaged in the enterprises concerned, as they are responsible to the Govern-

ment for the economic activities of each member producer. And the organization of these industrial groups is a machinery by which the Government will direct planned economy in conformity with the will and aims of the State. Further, throughout the entire process of organization and working of the system the principle of leadership must permeate, and from the leader of the highest group down to the lowest the leadership relation must be clarified. On this point the Government plan specifies that the economic groups shall be managed by the directors who are authorized by the Government upon the recommendation of their members, and that, in putting important policies and plans into practice, the economic groups of key industries shall direct the sub-structural groups and their members. Besides, the leaders of the groups are authorized to make inquiries into the operation of production, distribution and other activities, and to test the standards and qualities of the products, with a view to assuring the efficient working of their organizations.

In view of the above-mentioned functions of the groups, their legal status should be that of juristic persons. Since, however, they cannot be defined in terms of the existing laws relating to industrial and other associations, a new law must be enacted to legalize their status.

Basic Purpose of the New Structure

The basic objective of the new structure, as has been repeatedly stated, is to establish a system which will ensure the most effective utilization of the entire national strength. The modern economic system in Japan, due to its short history and to a scarcity of raw materials available for heavy industries, has been one centring on the industries related to such consumers' goods as textiles. The present world situation, however, calls for the immediate establishment of the heavy industry and expansion of productive capacity on the basis of self-sufficiency. Japan is accordingly required to reorganize her existing industrial setup which has been inadequate to meet the current national demand.

What is required first of all is to create a structure under which the combined strength of the given materials, labour and capital can be most effectively employed. This necessity has become particularly urgent since the conclusion of the Tripartite Pact in 1940. Nothing short of the realignment of the entire resources will be sufficient to meet the current crisis.

For effecting such a realignment, two methods may be thought

of. The one is the combination of enterprises and the other the organization of a cooperative type of production and management. What is adopted in the proposed new structure is the latter method relating to cooperative production and management.

Reorganization On the Cooperative Basis

A prerequisite for carrying out the second method is to organize national economy as a comprehensive cooperative system embracing all the enterprises as its units, which are grouped according to industries and their sub-divisions. This is no new idea. Such an all-embracing organization aiming at the establishment of the planned economic structure has already been explained. What needs to be emphasized, in this connection, however, is that each component unit must be organized as a body managed on a cooperative basis and that the groups of such bodies must also be managed on the same basis.

In this manner all enterprises can be managed most rationally and efficiently under a unified control. In the new structure, when necessary, productive operations may be concentrated upon certain enterprises having highly efficient and superior equipment, and in other circumstances part of the equipment may be operated, thereby eliminating waste in materials, labour and productive efforts and enhancing the productivity of the existing equipment. This is a decided advantage of the new system, and, therefore, this must be the system whereby the present emergency can be successfully met. Briefly, what is essential in the working of the new system is to establish the leadership principle founded upon the will of the State and at the same time to enable industrial enterprises and their groups to give full scope to their initiative and efficiency, with the consciousness that they are sharing in the responsibility of carrying out the national economic programme.

FIFTY YEARS OF THE IMPERIAL DIET

SECRETARIATE OF THE HOUSE OF REPRESENTATIVES

A red-letter day in the constitutional history of Japan was November 29, 1940, when the Imperial Diet entered upon the 50th year of its significant existence. The occasion was, therefore, solemnly celebrated in the august presence of His Imperial Majesty at the assembly hall of the House of Peers. By way of remembering that historical occasion, and with a view to renewing our devotion to the constitutional government peculiar to Japan, essential functions as provided for in the Imperial Constitution and as viewed from the statistical records prepared by the Secretariate of the House of Representatives are explained in the following.

Constitution and the Diet

That the parliamentary system of a country should be provided for in its Constitution is a pratice common to all modern States. In the case of Japan, however, the system is peculiarly connected with the Imperial Constitution from the very beginning of her constitutional government. The Emperor Meizi in granting the Constitution fixed the date of its coming into force as "the time when the Imperial Diet will be inaugurated." Accordingly the Constitution has been in force as from November 29, 1890, when the 1st session of the Diet was convened. In providing for the amendment of the Constitution, the Emperor was pleased to state in the Preamble to the Constitution. "Should there come in future a time when certain provisions of this Constitution became necessary to amend, We or Our Descendants who succeed to the Throne shall take the initiative of proposing the amendment to the Diet and the Diet shall vote for it as prescribed by the Constitution; otherwise Our Descendants or subjects may not affect the alteration of any of its provisions." Since the essential functions of the Diet are all provided for in the Constitution, they cannot be altered, even slightly, unless the Constitution is so amended.

The functions of the Diet as an important agency for assisting the Throne consist chiefly in participating in legislation. Nor can the function of indirectly supervising administrative affairs be overlooked, as has been expounded by Prince Hirobumi Ito, the foremost authority on the Constitution. For this purpose the

Constitution and the Parliamentary Law provide for the rights of the Diet and its members to accept the petitions of subjects, to address memorials to the Throne, to make propositions to the Government, to make interpellation, and to supervise national finance. That such important rights have been bestowed upon the Diet besides its function to approve legislative and budgetary measures can be accounted for by the fact that both Houses of the Diet are agencies to make known the will and desires of the governed. In this respect, the House of Representatives may be nearer to the popular will in that the House may be dissolved and, that it enjoys the right to prior consideration of the Budget. When the popular will is conveyed to the Govcrnment through these channels provided for in the Constitution, the Government has to take it up for consideration as prescribed by the Ordinance Governing the Organization of the Cabinet. The leaders of the movement for constitutional government in the Meizi Era advocated the establishment of the Diet system by pointing out the fact that, where there was no room for giving full play to the popular will, there would be no stimulus for the people to express themselves for the service of the State, and consequently there would be no enhancing of national strength. In the current emergency in which radical renovations in all phases of government are urgently called for, the most important initial step should undoubtedly be the wise operation of the Diet system.

Some Statistical Data

Statistics prepared by the Secretariate reveal many interesting facts. The total number of sessions, to begin with, is 75, while that of general elections is 20, the election to be held in 1941 being the 21st one. Since the number of dissolutions is 16, the elections held on the expiration of the regular term of the members numbers only 3. An astounding figure is seen in connection with the number of votes in the elections, which totals 67,683,413—the figure not far from 72,875,800, representing the total estimated population of Japan proper for 1939. By these votes 8,134 members have been elected to the House of Representatives; however, there being not a few who have been elected many times, the real number is 3,339, among whom are included the present incumbents. The term of one session, as provided in the Constitution, is 3 months which are officially numbered as 90 days. To this number must be added that of days required by extraordinary sessions, which is to be decided each time by Imperial Order, as well as that required by the

extension of the terms. The actual number of days accordingly totals 4,152, corresponding to 11 years and 4 months.

The figure relating to the minutes of the proceedings forms another wonder. Their pages, as printed in the supplement to the Official Gazette, total 36,078. As this figure relates only to the proceedings of the plenary sessions, if that relating to the proceedings of committee meetings is included, it will increase by nearly eightfold. The publication of the minutes is one important means by which the public are informed on the proceedings, and the other is through admittance of the public to Diet sessions. Thus the number of those admitted to the Diet in session reaches 1,365,802, with an average per session of 40,000 in round numbers. The highest figure recorded in this connection is 59,568, representing that for the 59th session in 1930, which is almost twice the number of the visitors to the 1st session, numbering 23,035.

With regard to the bills passed by both Houses, it is recorded to be 2,578. The most interesting figures, however, are those relating to the budgetary measures. The budget for the General Account approved at the 1st session was 83,514,028 yen, while that for 1940 approved at the 75th session amounted to the colossal sum of 6,097,331,434 yen. A staggering figure is seen in the total amount of budgets for the General Account voted for by the Diet during these 50 years, which is no less than 61,732,324,072 yen.

NEW MEASURES FOR CONTROL OF LAND AND HOUSE RENT

Department of Welfare

THE Ordinance Pertaining to Control of Land and House Rent, which functioned effectively for the past year as one of the important measures for ensuring security in the life of the home-front population, expired on October 10, 1940. The control will continue to be exercised, however, by virtue of the new Ordinance for Control of Land and House Rent promulgated as Ordinance No. 673 on the same day. An exception is made to the enforcement of the new Measures in the case of overseas territories where the old Ordinance will remain effective until July 1, 1940, when it will be superseded by the new Ordinance.

In the main, the control as contemplated by the new Ordinance is somewhat similar to that of the old Ordinance. In principle, the land and house rents obtaining prior to October 20, 1940, remain as they are, while the rent fixed on newly built houses, etc. is left to the parties concerned for their mutual agreement. In case, however, such a rent is excessively high, the prefectural governor is authorized to cause its reduction. The only difference between the two ordinances is that the new Ordinance sets no limit in respect of the term of operation as in the old Ordinance. Thus, unreasonably high rents for newly leased land and newly built houses will be prevented hereafter. At the same time, a fair measure of profit will be ensured to encourage the management of the business of letting land and houses and a reasonable standard for rent has been prescribed in order to eradicate causes leading to scarcity of houses. Moreover, out of the experience gained in the operation of the old Ordinance, provisions have been perfected for the tightening of the necessary control.

In the following a brief account will be given of essential points in the new Ordinance.

Rent Subject to Control

Land and house rents subject to control as provided for in the new Ordinance are substantially similar in scope to that of the old Ordinance. The scope embraces the rent of such pieces of land as are leased for the purpose of owning houses erected upon them,

or upon which superficies are created for a similar purpose as well as the rent of houses to be leased, including rooms forming a part of the building (Art. 2). The "leased house" herein referred to includes every building, regardless of its use or structure. Since a room forming a part of a building is regarded as a "leased house" under the new Ordinance, room-rent or room-charge for a lodging house, apartment or building[1] will all be subject to control by the new Ordinance. The "leased land" herein referred to must be for the purpose of erecting a house on it which may be subject to ownership. Accordingly, any land leased as a gravel yard or a place for unloading cargoes is not subject to control, as contemplated in the new Ordinance. The Ordinance for Control of Prices, Etc., which governs leases in general is applicable to the rent for these places. The leasing of farm land comes under the Ordinance for Control of Farm Rent. The case of sub-leases is governed, as already mentioned, by the new Ordinance, provided it falls in the category of leased land and houses.

Maximum Rent

The new Ordinance provides for the fixing of a maximum rent for land and houses. No lessor will be allowed to raise the rent, despite any change in the lessor or lessee (Art. 3, para. 1). Any act, under whatever pretext, which tends to relieve any person from the application of the restrictive measures, is strictly prohibited (Art. 14). With regard to the interdictory provisions against evasions from the application of the law, the old Ordinance provided that "the lessor may not, under whatever pretext, demand from the lessee of the land or the house any benefits to be derived from property, other than those stipulated in the contract for the leased land or leased house" (Art. 6). Thus the lessor was prohibited from making an explicit demand upon the lessee. In order to attain an effective control of rents, however, the new Ordinance has enlarged and accentuated such prohibitions, both explicitly and implicitly (Art. 3, para. 1).

The maximum amounts of rent, as prescribed by the new Ordinance, are specified in the following sections (1) and (2):—

(1) *In respect of land or a house the rent whereof was in existence after August 4, 1938, but prior to October 20, 1940, the last rent thereof existing prior to October 20, 1940.*

For such leased land or houses, the maximum rent had been fixed, as in the following, in pursuance of Art. 3 of the old Ordinance,

[1] In this case, the term applies to a western style office building.

and no increase beyond that amount had been permitted.

(a) As for the rent for land or a house, which was existing on August 4, 1938, the maximum rent shall be the rent as of the said date (if such rent is unascertainable, the initial rent known as existing subsequent to the said date); however, in respect to rent which has been altered due to extension operations or rebuilding undertaken after August 5, 1938, but prior to October 20, 1939, such rent shall be the initial rent after the completion of such extension operations or rebuilding.

(b) As for cases which are not covered by (a) and in which the rent of land or houses came to be in existence during the period between August 5, 1938, and October 20, 1939, the maximum rent shall be the initial rent subsequent to August 5, 1938. If such rent is unascertainable, and in case the rent has been altered due to extension operations or rebuilding, similar provisions in (a) will apply.

(c) As for cases which are not covered by (a) and (b) and in which the rent for land or houses came to be in existence subsequent to October 20, 1939, the maximum rent shall be the initial rent determined after October 20, 1939.

It follows, therefore, that there should have existed, prior to October 20, 1940, the day when the new Ordinance came into force, no rents for land and houses which were in excess of the amounts as specified in (a), (b) and (c). Hence the new Ordinance provides that in respect of land and houses for which there existed rents subsequent to August 4, 1938, but prior to October 20, 1940, the last rent existing prior to October 20, 1940, shall be the maximum amount. In other words, the new Ordinance has adopted the same amounts as prescribed by the old Ordinance as the maximum, thereby causing the rents to remain stationary.

Some of the rents as specified in the foregoing (a), (b) and (c) have been increased with the approval of the prefectural governor, or reduced by his order, in accordance with the provisions of the old Ordinance. In such cases, however, either the increased or reduced rent is deemed as the rent specified in (a), (b) and (c). In order to make such rent the maximum amount, therefore, the new Ordinance has provided specifically "the last rent for land or a house received prior to October 20, 1940." This provision is in no wise designed to recognize any unwarranted increase in rent which was prohibited by the old Ordinance. On the contrary, should there be any case of violation of the Ordinance, it will be duly punished, and the amount of increase deemed legally null and void. Thus the last rent, or the maximum amount of rent as provided in the new Ordinance, is equivalent to the rent specified in (a), (b) and (c).

(2) *In respect of land or a house whereof the rent was in existence after*

October 20, 1940, which is not covered by the provisions of (1), *the initial rent received after October 20, 1940.*

This applies to a house newly built and rented after October 20, 1940, or to a building, which had been used as a private dwelling but which was converted into a house for rent after the said date, or to land rented for building purposes after the same date. In case land or a house, not leased to any person on October 20, 1940, is to be leased to another, the provisions of (1), and not of (2), are applicable; provided, however, that such land or house was leased to others between August 4, 1938, and October 19, 1940. The result is that the rent for land or a house provided in (1) constitutes the maximum amount. However, the provisions of (2) apply, if it was actually rented prior to August 3, 1938, but was not rented between August 4, 1938, and October 19, 1940. In these cases, which come within the purview of the provisions of (2), the rent for land or a house initially determined after October 20, 1940, is considered the maximum amount, as was in the old Ordinance. The parties interested may fix the rent to suit themselves, but once it is determined, no lessor is allowed to raise it arbitrarily. When it is unreasonably high, in the light of the just and fair standard of rent, which will be explained later, the prefectural governor may order the lessor to reduce it. In order to make it more effective, the new Ordinance provides that the rent provided in (2) shall be reported to the prefectural governor within 14 days from the day when the rent is determined (Art. 3, para. 2). Failure to report as provided above is subject to punishment in accordance with the National General Mobilization Law, as in the case of a person who has raised the rent beyond legal limits.

Just and Fair Standard of Rent

The underlying idea for setting up a standard of just and fair rent, as already referred to, is to forestall any extortionate rate likely to be charged for land newly let or a house newly built, and to eradicate any causes which may bring about scarcity of houses for rent. When this purpose is fully realized it will contribute more than anything else to the solution of the current housing problem.

Standard Rent For Land

A standard rent for land (computed by the year) represents the amount equivalent to the price of land multiplied by the ratio which the prefectural governor has fixed (Art. 4 of the Regulations pertain-

ing to operation of the Ordinance). The price of land as referred to in the Ordinance is the last price on land acquired prior to August 4, 1938, or the assessed value of land as determined by the prefectural governor on August 4, 1938, in case no price is available or if a price is unascertainable or excessive (Art. 5). The prefectural governor is authorized to increase the price of land, in case the lessor has improved and paid up charges borne by the beneficiary after August 5, 1938; to reduce it in case the lessor has collected a premium for leased land; and to revise it in case circumstances warrant (Art. 6).

In conformity with the principle governing the standard of rent, the prefectural governor is to properly classify the area under his jurisdiction and make public announcement of the terms of leased land, in keeping with local conditions, such as methods of paying land-rent, premium, security money, and charges for maintenance costs which become the basis for determining the rent, as well as the ratio by which the price of land is to be multiplied (Art. 11). In fixing such ratio, the prefectural governor, is required to obtain the approval thereof from the Minister of Welfare.

Standard Rent for Houses

A standard rent for houses (computed by the month) represents the sum total of (1) the amount of money as obtained from the price of a house multiplied by the ratio which the prefectural governor has fixed, (2) the land rent or the amount of money equivalent to the same, and (3) the amount equivalent to the just and fair fire-insurance premium. In case of a lodging house, apartment or building, expenses for services (such as electricity, gas, water and other charges borne by the lessor) shall be added (Art. 7 of the Regulations pertaining to operation of the Ordinance). The price of a house represents the sum total of (1) the cost of the main structure, (2) of subsidiary equipment (electricity, gas, water, sewage, gate, fence, barn, etc.), and (3) of furnishings (Art. 8). When the lessor has received a premium in connection with a leased house, the amount equivalent to it will be deducted (Art. 9).

As in the case of standard rent for land, the prefectural governor will notify the ratio by which the price of a house is to be multiplied, along with the terms of lease or what becomes the basis in the determination of house rent, such as the method of paying the rent, security money, premium, charges for repairs, etc. As for the expenses for services, only the actual costs will be taken into consideration.

In determining this standard for land and house rent, what has been recommended, on September 3, 1940, by the Central Com-

mission for Formation of Prices has been adopted on the whole. According to the recommendation, the rate of land rent is to be 4.2 per cent under the terms that "payment shall be deferred; no security money be collected; and the term of lease to be 30 years."

The rate of house rent is to be 1.14 per cent of the cost of the main structure and 1.55 per cent of the cost of accessory equipment and furnishings, in the case of an ordinary wooden house, under the terms that "the lessee shall bear the charges for special equipment necessary for using the building for shop or factory; the lessor shall bear expenses for repairs, (the lessee will pay for changing papers in paper-slide doors, or panes in glass doors); the rent is to be on the basis of deferred payment; the premium shall not be collected; and the security money, if collected, shall be less than the amount of rent for 3 months.

With regard to the standard rent for rooms forming part of a house, the rent for a living room is determined by the ratio of the total floor space of all living rooms in a building to the floor space of a living room in the same building, as calculated on the basis of the standard rent for that house. The ruling is applicable with necessary modifications to any room other than the living room (Art. 12). The general criterion is secured by the proportionate division according to the floor space of a room or rooms. At the same time location, ventilation and lighting in each room are taken into consideration. As a matter of fact, it is difficult to set up any standard applicable to all cases, since the leased land and houses vary a great deal on account of their location, surroundings, architecture, the age of their structure and the arrangement of gardens.

When deciding the aforesaid ratio and terms of contract, the prefectural governor will fix them as he considers them just and fair on the basis of the most prevalent terms of lease in the locality concerned and according to the actual state of things there. In case the terms fixed by the prefectural governor as the basis of rent are found unfeasible or unfair, the only alternative is to determine the rent by the parties concerned according to actual conditions.

Thus it is seen that, while the standard rent *per se* is not compulsory, the prefectural governor is authorized to order the lessor to reduce the rent or alter the terms, in case he deems the rent newly fixed as unfair in the light of the standard rent, or in case the burden of the lessee is heavier if the standard rent is applied. Since the standard rent is intended to apply to a newly built house, or to cases where land or house rent was not fixed between August 4, 1934, and October 19, 1940, any rent and terms of lease in existence

on October 20, 1940, need not be altered by the standard rent. Neither can the existing rent nor the terms of lease be arbitrarily changed, except in cases where the lessee is placed in a favourable position.

Raising or Lowering of Rent

A. Permission for the Raising of Rent

As mentioned previously, the increase in land or house rent is prohibited in principle. In cases, however, where there are reasons specified by the Minister of Welfare, the increase may be permitted with the prefectural governor's approval (Art. 4, para. 1).

Such cases are those coming within the purview of any one of the following provisions, wherein the land or house rent provided in each number of Art. 3, para. 1, of the new Ordinance, is deemed conspicuously low (Art. 2 of the Regulations pertaining to operation of the Ordinance):

1. Where the lessor has effected improvements in respect of leased land, or extension operations or rebuilding in respect of a leased house;

2. Where taxes or other levies on leased land or a leased house have been increased;

3. Where there is an increase in the expenses for light, costs of articles of consumption and other services in a lodging house, apartment or other leased house of similar nature;

4. Where terms of lease have been altered to the advantage of the lessee;

5. Where there are circumstances corresponding to any of the preceding numbers or other special reasons.

Nos. 1 and 2 correspond to Nos. 1 and 3, Art. 1 of the Regulations pertaining to operation of the old Ordinance which together with the old Ordinance itself, became null and void. No. 3 is the provision by which the charging of actual costs of service is recognized. No. 4 provides for cases where the bearer of costs of furnishings and their repairs be changed from the lessee to the lessor. As a matter of fact, this is merely legalizing the practices which have heretofore been recognized. No. 5 corresponds to No. 4 of the Regulations pertaining to operation of the old Ordinance. It provides for cases where there are special reasons, such as charges or contributions having been collected in connection with the land or house in question and the lessee a member of the family or surviving family of a person called to the colours to whom a special low rate has been granted.

The rent for land or a house may be raised only when the aforementioned circumstances exist, and also when the conspicuously low rent was admitted after the investigation of the existing rent in all its bearings, such as location, surroundings, use, age, and maintenance and preservation of the building, as well as the amounts of rent received in the past. Hence, a mere existence of "special reasons" will not constitute sufficient ground for raising rent. It must be noted in this connection that the old Ordinance was an emergency measure effective for one year and was not intended to permit the raising of rent on the ground that the existing rent was exceedingly low. The new Ordinance, while lifting, on the one hand, all restrictions on the orders to be issued by the competent authorities for the reduction of rent, provides, on the other, for the investigation of the grounds for its increase as stated in No. 5, in case the existing rent is found to be too low.

B. Reduction of Rent

Although the raising of rent is strictly prohibited, except in cases where special permission is granted, no restriction is placed on its reduction. This does not imply, however, that the new Ordinance will recognize existing unreasonable rents. When the rent existing prior to the enforcement of the present Ordinance is found to be excessively unreasonable, or when the newly fixed land and house rents such as those for newly built houses, are found to be unreasonable in the light of the just and fair standard for rents, the prefectural governor may order the lessor to reduce the said rent (Art. 6). As the old Ordinance was an emergency measure, it did not provide for ordering the reduction of the rent existing on August 4, 1938. The new Ordinance has removed such limitations and provides for reduction in land and house rents in general.

C. Alteration in Systems of Payment

In actual practice systems of payment of rent vary considerably. In most cases a definite amount of rent is fixed in terms of so much yen per month. In others, payment in kind is adopted, such as so much *koku* of unhulled rice. Another system is to pay in terms of the value of so much *koku* of unhulled rice at the time of payment, or by a certain percentage of sales proceeds in a shop.

Such being the case, difficulties arise when the system of payment in kind is to be converted into that of payment in a definite sum of money, or from the latter system into that of payment by a percentage of sales proceeds, etc. And a question may be raised, whether such

a change may not constitute an infringement of the ban on the increase of rent. With a view to clarifying such ambiguity and to strengthen the control, the new Ordinance provides that such changes require the permission of the prefectural governor (Art. 7).

D. Determination of Room Rents According to Standards and Terms Approved by the Prefectural Governor

Since the provisions of Article 2 of the new Ordinance apply to a lodging house, apartment and building, the rent for each room of these houses is being controlled. Such control, however, is frequently inconvenient to the management of these types of leased houses. Moreover, a simplification of the intricate terms of rent is essential in order to exercise a consistent and thorough control. Accordingly, it is provided in the new Ordinance, that associations of lessors or other organizations of similar character should determine the standard room rent and other terms of lease from each member and to obtain an approval thereof from the prefectural governor. And the room rent fixed according to the approved standard shall be in lieu of the existing room rent, and be considered the maximum rent of such a room (Art. 8).

When the prefectural governor intends to effect an approval, permission or an order, as referred to in A, B, C and D, he is required to refer the matter to the Commission for Investigation of Land and House Rent (Art. 10). A Commission has been established in each prefecture since last year.

When deemed necessary, the prefectural governor may attach conditions or restrictions to the approval or permission as provided in A, C and D.

Control of Terms of Lease Other than Rent

The contract for leased land or houses contains various terms other than payment of rent; such terms as security-money and charges for repairs cannot be considered separately from the rent. Should these terms remain unregulated the purpose of the control will become practically nugatory. As in the case of the old Ordinance, therefore, the terms of lease other than rent specified by the Minister of Welfare will be placed under the same kind of control as is effected on the rent (Art. 13).

The terms specified by the Minister of Welfare and subject to such control, will be " security-money, charges for repairs and furnishings and for services in a lodging house, apartment and other house of similar nature, payment of rent, premium given to the lessor by

the lessee, and other terms concerning property benefit." (Art. 17 of the Regulations pertaining to operation of the Ordinance).

With regard to these terms, except in cases where the prefectural governor has granted permission for reasons aforementioned, no change shall be effected to the disadvantage of the lessee in respect of charges borne by him. Thus, in respect of land or a house for which the rent was in existence prior to October 20, 1940, the charges borne by the lessee prior to the said date, and in respect of land or a house for which the rent was newly fixed due to the construction operations effected after October 20, 1940, the initial charges borne by the lessee may not be changed to the disadvantage of the lessee. When these terms are considered highly prejudicial to him, the prefectural governor may order the lessor to alter them in the same manner as in the case of rent reduction.

Supervisory, Transitional and Other Provisions

When deemed necessary, the prefectural governor may order the lessor to keep books concerning land or house rent or to put notices in conspicuous places easily observable by the lessee concerning rent and other terms in the case of a lodging house, apartment, or any other house of similar nature (Art. 11). Likewise, as in the case of the old Ordinance he may, if deemed necessary, call for a report on the leased land or leased house from the lessor or the lessee, or may send the officials concerned to the leased land or leased house for inspection (Art. 12).

The permission, order or application for permission effected in accordance with the old Ordinance will be deemed to have been effected in pursuance of the new Ordinance (Art. 19).

All the following provisions shall remain effective even after October 20, 1940:

Article 13 of the old Ordinance providing for the obligation of the lessor to restore to the normal level rent higher than the maximum rate (as provided in Art. 3 of the old Ordinance) existing prior to October 20, 1939; Article 14 of the same Ordinance providing for the treatment of increased land or house rent as a result of court action, mediation or arbitration; and Article 15 of the same Ordinance providing for the application, with necessary modifications, of Articles 1, 3 and 4 to terms other than land or house rent.

CONCERNING JAPANESE-AMERICAN RELATIONS

I

—Address of Mr. Joseph C. Grew, United States Ambassador to Japan, at the Japan-America Society Luncheon, on December 19, 1940—

We are honored today by the presence of His Excellency the Minister for Foreign Affairs, and on behalf of the Society I extend to him a cordial welcome. Mr. Matsuoka knows the United States very well, and I venture to believe that from his intimate associations there he has the same sort of personal affection for our country as I have for Japan. Such personal affection, when it exists, may sometimes exert its influence even on international affairs. Mr. Matsuoka and I have a way of talking to each other very frankly and straightforwardly, sometimes on the record and sometimes off the record, because I believe that neither of us has much use for the old school formulas and restraints of diplomatic intercourse. Thus we know pretty well where each of us stands on any given issue, and we agree or disagree on those issues with frank objectivity. Such mutual freedom in the give and take of discussion can only be helpful to both, and we both have plenty to do in these times of international difficulties and in this sadly distraught world of ours. The Society fully appreciates the Minister's consideration in taking valuable time from his intense schedule to address us today. I have the honor to introduce His Excellency, the Foreign Minister.

II

—Address of Mr. Yosuke Matsuoka, Foreign Minister, at the Japan-America Society Luncheon, on December 19, 1940—

Mr. Chairman, Excellencies, Ladies and Gentlemen,

It is an honour as well as a pleasure for me to be invited to this distinguished and delightful gathering. I am very happy to take part in this reunion of good old friends who are all devoted to the cause of promoting better understanding between Japan and America. In fact, I feel so comfortably at home among you, that I am tempted to confide to you a bit of private information as to how I came to be accorded the treatment, thanks to Admiral Nomura, of a free luncheon in this time of stress and strictly managed economy, and that at the expense of the good members of the Japan-America Society. When I approached Admiral Nomura for the post of Ambassador to the United States, the Admiral, showing not the slightest consideration for our old friendship, was adamant in his refusal. At first it looked hopeless. The obstinate, I might even say obdurate, Admiral stuck to his guns. But I refused to be scared away. I went back at him

again aud again, and many a friend of both his and mine levelled guns at him. In truth, I pitted my stubbornness against his stubbornness, and as days sped on I became even curious to see which would rub away, his or mine. Finally, at the end of a three months' siege and attack, this stubborn Admiral capitulated. Certainly I was proud of my victory. However, I came very soon to realize that I fought the battle on my own ground, i.e. terra firma, and not in the sailor's element. That was not fair for the Admiral, but was a thing on which Japan is to be congratulated and may be for America, too. In any case, I wouldn't see myself compelled to meet him on the high seas!

Admiral Nomura needs no introduction. He is referred to in our press as a "Big Gun." You know he is in every sense a "Big Gun," physically and mentally, and I feel sure that it is powerful and big enough a gun to shatter any and all possibility or potentiality, if there is any, of a clash in the Pacific.

Admiral Nomura is not a professional diplomat, and yet he is a highly gifted diplomat. That has been abundantly demonstrated at Washington, D. C. and other posts abroad as well as during the tenure of his office as Foreign Minister in the Abe Cabinet. He is, moreover, a distinguished sailor, as you all know. Each sail that skims the horizon braves the dangers of the sea and the skipper is responsible for the safety of the entire crew. The very quality that distinguishes a successful sailor, it appears to me, is also the quality needed for a successful diplomat. The vast and deep ocean upon which stately ships move is eminently suited to cultivate a largeness of mind and foster self-confidence and common sense. It builds up, in short, a character that inspires confidence. In the person of our new Ambassador, the American people will find a true Japanese, every inch of that six footer, but at the same time a vehicle of international trust and confidence. We must recover confidence among nations, that is what the world so badly needs at this moment!

I am confident that Admiral Nomura will prove a worthy successor to Mr. Horinouchi who, ably assisted by his charming wife, has won the heart of the Americans. Might I be permitted to take advantage of this occasion publicly to tender Mr. and Mrs. Horinouchi my deepest appreciation and thanks for their untiring efforts for the cause of American-Japanese friendship?

I think the days of small things are now definitely over. We must think big and act big. It is no time to deal in small changes. We must trade in larger currency—or rather, ingots of gold. Namely, we must see eye to eye regarding each other's position and policy. In this connection, it may not be irrelevant to recall a witty French saying: "an equivalent of Napoleon does not make a Napoleon." I admit that it is not quite proper to compare Admiral Nomura to Napoleon but, for obvious reasons, the French never had a coin named after Nelson.

The appointment of Admiral Nomura, I may say, is an eloquent indication of what my Government have in mind in regard to Japan's relations with the United States of America. I owe it to candour to admit that the relations between our two countries are severely strained at this moment. Now, the causes that have brought about the present unfortunate

deterioration are, of course, many and manifold, but the fundamental cause, let me be frank, is American misapprehension of Japan's aims and aspirations. I shall forego to explain at length our viewpoint, lest I should spoil your appetite. Only let me observe a few words. Contrary to impressions current in America and elsewhere, Japan is not waging an imperialist war of greed and aggression in China. It is not a war of conquest or covetous ambitions. We are engaged in a moral crusade. You may, if you like, ladies and gentlemen, laugh or shrug your shoulders at it, but I am sure time will prove it; fifty years hence, or in less a time, history will testify to it. We are fighting not for destruction but for construction. We are endeavouring to initiate an era of enduring peace and unlimited prosperity, based on justice, equity and mutuality, in Greater East Asia, where, we firmly believe, we have a great mission as the civilizing and stabilizing force. We stand for peace and order. We shut the door nowhere and to none. Any nation that desires to take a hand in this great task is welcome. But mind you, there shall be, "no conquest, no oppression, no exploitation under the New Order" which we conceive! We are as much against Japan herself committing these iniquities in the future. We will not be induced to deflect from our settled course, whatever the pressure or whoever the detractor. This, in short, is the basic attitude of my Government. When I say we must trade in larger currency, I mean to imply that rather than quarrel about minor grievances, we should try to look in a big way at the fundamentals of the situation now confronting us.

Japan's ideal, the ideal bequeathed from time immemorial, from the time of the very foundation of the Empire, is to enable all nations to take their proper places in the world. It is my humble opinion that the world should be reorganized and reformed in a more rational way as, for instance, crystals are formed according to the law of nature. Minerals of different nature agree between themselves as to which of them shall give way to the other at their junction, and take their permitted shapes and alloted shares of space, yielding or being yielded to, as they build up a perfect crystal. When the international society is crystalized in a similar manner in accordance with the spirit of justice and equity, then and then only will a genuine and lasting peace prevail throughout the world. The new order we envisage is a realization of such an international society, which we intend to begin by setting up in this part of the world under our leadership. The Pact of Alliance recently concluded by Japan, Germany and Italy points to the same goal.

It seems to me that this world of ours is too wide politically and too narrow economically. While economic activities should be world wide and should suffer no limitation, our political efforts had better be restricted to only those spheres in which we are vitally interested, and not be extended to other people's domains. If regional peace is effectively secured through regional understanding, the world will, by its aggregation, be able to enjoy a universal peace. This has been my idea all through since the adoption of the Covenant of the League of Nations at the Versailles Conference. The recent Havana Conference is a case in point, being an attempt to ensure peace and order in the Western Hemisphere through a regional

cooperation.

Speaking of the Three-Power Pact, a section of the American people have, wilfully or otherwise, misunderstood our purpose and are accusing Japan of harbouring hostile intentions towards America. Nothing can be more absurd and untrue. Japan has no desire whatsoever to antagonize America, or for that matter, any nation. We want to maintain and even enhance our friendly relations with all nations. We only desire, on one hand, to be left alone, so that we may carry on our constructive work unhindered, and on the other hand, to see the trouble in China and the war in Europe brought speedily to an end, without adding more participants, particularly such a powerful one as America. Imagine just for a moment that America joined the European war or came to a clash with Japan in the Pacific. What then? If any bit of human feeling or an atom of instinct for self-preservation is left in you, ladies and gentlemen, wouldn't you shudder at the very thought? Would not a kind of ice-water shoot down your spine? There would loom up every chance of facing at last the Armaggedon that would end in a total destruction of our culture and civilization. I do beseech my American friends to think twice, thrice, nay, ten, a hundred or a thousand times before they take a leap that may prove fatal to all Humanity. In this connection, I wish to leave no doubt whatever in the mind of any American citizen the fact that Japan is, and will remain, loyal to her Allies; that Japan's foreign policy will revolve in the future around the Three Power Pact as its pivot, as it did around the pivot of the Anglo-Japanese Alliance in the past when that Alliance was in force. This, of course, implies no threat. It is a simple statement of truism made in order to prevent possible misapprehensions. For, an illusion on an issue like this will bring no good to anyone.

At this point, permit me to refer only cursorily to the China problem. After all, the fate of China is largely a question of sentiment to the Americans, but to us it constitutes a truly vital issue affecting, as it does, the very existence of our Empire. We are confident regarding the future and are not without hope as to an early restoration of peace in China which, by the way, will automatically liquidate the difficult situation which has engendered the present tension between Japan and America. In this sense, the new Chinese Central Government at Nanking may be regarded as the harbinger of better times, "Daffodils that come before the swallow dares." It is my firm conviction that once the basic and broader aspect of the situation is rightly taken in by the Americans, they will not only not oppose our endeavours but will even join efforts with us in furthering our high aims. My proposition is that we, both of us, shall not blink at realities, however unpalatable they happen to be, but shall try earnestly and honestly to understand each other's position with sympathy and in a spirit of mutual accommodation. For this, we must clear our mind of cant and avoid the folly of "rubbing the sore when one should bring the plaster" which sometimes thoughtless, not to say malevolent, people are apt to do.

The public is often the dupe of public opinion. Giddy minds and foreign affairs make an undesirable company. Some people simply cannot think of international relations but in terms of clash and conflict. Some-

how they cannot think in terms of concord and cooperation. There are pessimists, not to say alarmists, in both countries who believe in the inevitability of a major conflict in the Pacific. That would surely spell the downfall of mankind. Do we not owe it to Humanity, both Japan and America, to unite our efforts and do our best to avert such an awful calamity?

In wishing Godspeed to Admiral Nomura, I pray most fervently, that he may successfully fulfil his mission which is to usher in a happier period of mutual trust and better understanding between our two great nations. Waves may rise high in the Pacific Ocean but we trust in the courage and resourcefulness of Admiral Nomura as a skilful and tried seaman safely to take us to the port. Neither shall we forget the fact that although we only see the white sail tossing on the rough sea, the ship does not lose its balance because of the ballast which remains invisible to our eyes. That ballast is the common sense of our two peoples.

And so I close this address with an earnest appeal to the common sense of our two peoples to maintain calm judgment and quiet self-restraint, in the face of the appalling and unprecedented world situation. Let us keep our heads clear and cool. Let us go slow and take time. Let us try to learn and make sure. There is ample time for us to think and make up our mind. Eternity before us, why over-hurry? Half a century is but a passing moment and will fill merely one brief paragraph in a history book.

Is it too much for Japan to ask for so much of a minute, just half a century or even less, in which to prove herself to the world? Time is the great curer of human travail. Let us all have a bit of patience. This is my appeal.

III

—Address of Admiral Kichisaburo Nomura, Ambassador to the United States, at the Japan-America Society Luncheon, on December 19, 1940—

Mr. Chairman, Excellencies, Ladies and Gentlemen,

I am a plain sailor. I was brought up amid tall masts and crowded sails, and am accustomed to rough seas. I am, however, a complete stranger to elegant society, its speech and its manner. In spite of my brief experience as Foreign Minister, I was not meant to be an Ambassador. Indeed, a sailor is quite helpless on the land; he is reduced to perfect impotence, like a stranded boat. In the tangled wood of diplomacy, he would be just as good as lost. Being well aware of my ignorance how to shine in graceful society and how to walk upon the tight rope of diplomacy at this critical juncture, I first declined Mr. Matsuoka's kind offer, although I greatly appreciated it as a mark of confidence which I know I hardly deserve. I held out as long as I could and then gave in. I could defeat an Invincible Armada but not Mr. Matsuoka—because he refuses to acknowledge his defeat.

However, both the Foreign Minister and I were agreed on one thing from the first: the necessity of drastically improving the relations beween

Japan and America which have deteriorated so much of late. I felt frankly disturbed by the ominous trend of affairs which, if left unchecked, may possibly bring about an acute tension between the two countries who have no reason to quarrel but every reason to remain friends. After much hesitation, therefore, I decided to accept the offer, rather in the heroic spirit of a common sailor who is called to the Colours. Swim or sink, survive or perish, I do not care. I am anxious only to serve—to serve the cause of better understanding between our two nations.

When the Four-Power Pacific Treaty was announced at the Washington Conference the late Senator Lodge quoted a well-known poet to describe the Pacific islands :—

"Sprinkled Isles
Lily over lily that overlaces the seas."

These islands are still there, as of old, in spite of swift and surprising changes we have been witnessing in the international situation. I believe that God has ordained these "sprinkled isles" to serve not as hostile bases but as stepping stones of goodwill between the two shores of the Pacific Ocean—Japan and America.

Ladies and Gentlemen, the Light has gone out in Europe, where nations have been thrown into the fearful vortex of a great war. Let us then, Japan and America, guard the peace of the Pacific, the only bright light of hope now left to mankind.

CONCERNING THE EXCHANGE OF RATIFICATIONS OF THE JAPANESE-THAI TREATY

—Statement of the President of the Board of Information, December 24, 1940—

As announced at the time of its conclusion by the Foreign Office, namely, June 12 of this year, the purpose of the Japanese-Thai treaty is as follows:

1. To respect mutually each other's territorial integrity and reaffirm the peace and friendship existing between them.
2. To exchange information and consult one another regarding any question of common interest that may arise.
3. In the event of one of the High Contracting Parties being attacked by any third Power or Powers, the other Party undertakes not to give aid or assistance to the said Power or Powers.

The treaty is effective for five years.

Now that Japan is devoting all her efforts to the establishment of a sphere of common prosperity in Greater East Asia, the treaty is to be one that makes a valuable contribution toward the political progress of East Asia. In view of the fact that it is not, in spirit and letter, such a passive treaty as the so-called non-aggression treaty but a progressive one, it is clear that both Japan and Thailand intend to make it a basis for their friendly relations.

It is indeed a source of gratification that the treaty has now come into effect.

TREATY BETWEEN JAPAN AND THAILAND CONCERNING THE CONTINUANCE OF FRIENDLY RELATIONS AND THE MUTUAL RESPECT OF EACH OTHER'S TERRITORIAL INTEGRITY

Article 1

The High Contracting Parties shall mutually respect each other's territorial integrity and hereby reaffirm the constant peace and the perpetual friendship existing between them.

Article 2

The High Contracting Parties shall mutually maintain friendly contact in order to exchange information, and to consult one an-

other, on any question of common interest that may arise.

ARTICLE 3

In the event of one of the High Contracting Parties suffering an attack from any third Power or Powers, the other Party undertakes not to give aid or assistance to the said Power or Powers against the Party attacked.

ARTICLE 4

The present Treaty shall be ratified and the ratifications thereof shall be exchanged at Bangkok, as soon as possible.

ARTICLE 5

The present Treaty shall come into effect on the date of the exchange of ratifications and shall remain in force for five years from that date.

In case neither of the High Contracting Parties shall have given notice to the other six months before the expiration of the said period of five years of its intention to terminate the Treaty, it shall continue operative until the expiration of one year from the date on which either Party shall have given such notice.

SPECIAL JURISTIC PERSONS TAX LAW

(TOKUBETU-HŌZIN-ZEI HŌ)

Law No. 26 of March 29th of the 15th Year of Syowa (1940)

ARTICLE 1

Special juristic persons having a principal place of business in the area where the present law is in force shall be liable to pay special juristic persons tax in accordance with the provisions of the present law.

ARTICLE 2

"Special juristic persons" within the meaning of the present law include the following juristic persons:

1. Industrial associations and federations of industrial associations.
2. Commercial associations and federations of commercial associations (excepting those which do not require contributions of their members, member associations or member federations).
3. Manufacturers' associations and federations of manufacturers' associations (excepting those which do not require contributions of their members, member associations or member federations).
4. Exporters' associations and federations of exporters' associations (excepting those which do not require contributions of of their members, member associations or member federations).
5. Fishers' cooperative associations and federations of fishers' associations.
6. Joint-facilities associations for sericulture.
7. The Central Chest for Industrial Associations.
8. The Central Chest for Commercial and Manufacturers' Associations.

ARTICLE 3

The special juristic persons tax shall be imposed on surplus funds of special juristic persons.

ARTICLE 4

The calculation of the surplus funds of a special juristic person shall be made by deducting gross losses from gross profits during each business year.

In the calculation of surplus funds referred to in the preceding paragraph the amount of dividends in accordance with the volume and value of commodities handled and the extent of business carried by special juristic persons shall be included in the loss.

In the calculation of surplus funds referred to in the first paragraph the amount which has been or is to be paid by a special juristic person in each business year as special juristic persons tax shall not be included in the loss.

In the calculation of surplus funds referred to in paragraph 1, losses sustained during business years which began within three years preceding the date of the beginning of the current business year of special juristic persons, and as prescribed by Ordinance, shall be included in the loss.

Particulars of calculation of surplus funds referred to in paragraph 1 other than those provided in the preceding three paragraphs shall be prescribed by Ordinance.

ARTICLE 5

In the calculation of surplus funds during each business year of special juristic persons in accordance with the provisions of Article 4, an amount representing 70 per cent of the amount of the interest on national bonds received during the period held, should any be held by such special jurstic persons, shall be deducted, as prescribed by Ordinance, from the surplus funds of such special juristic persons.

ARTICLE 6

If the amount of surplus funds of a special juristic person existing prior to the deduction effected as prescribed by the preceding Article does not exceed an amount corresponding to 3 per cent of the paid-up capital, no special juristic persons tax shall be imposed on such special juristic person.

The calculation of the amount of the paid-up capital referred to in the preceding paragraph shall be made as prescribed by Ordinance.

ARTICLE 7

When a special juristic person has been dissolved or extinguished by merger in the course of a business year, the period of time, from

the beginning of such business year to the dissolution or merger, shall be reckoned as one business year.

ARTICLE 8

A special juristic person continuing to be in existence after merger or a special juristic person formed by merger shall be liable to pay special juristic persons tax in respect of the surplus funds of the special juristic person extinguished by the merger.

A special juristic person formed on account of division is liable to pay, jointly with the other special juristic person formed on account of the division or the special juristic person continuing to be in existence after the division, special juristic persons tax in respect of the surplus funds of the special juristic person extinguished by division or the surplus funds prior to division of the special juristic person continuing to be in existence after division.

The preceding two paragraphs shall apply with necessary modifications to juristic persons, other than special juristic persons, continuing to be in existence after the merger or division, or organized by the merger or division of special juristic persons.

ARTICLE 9

The rate of special juristic persons tax shall be 6 per cent.

ARTICLE 10

Every special juristic person liable to pay the tax shall declare the amount of surplus funds to the Government as prescribed by Ordinance, attaching the inventory, the balance sheet, the profit and loss accounts, and the detailed statements of the paid-up capital and of the surplus funds calculated in accordance with the provisions of Article 4 and Article 6, paragraph 2.

The preceding paragraph applies with necessary modifications to the case where a special juristic person has not an amount of surplus funds liable to special juristic persons tax.

ARTICLE 11

The amount of surplus funds of a special juristic person shall be determined on the basis of the declaration under the preceding Article. In default of such declaration, or should the declaration be deemed improper, it shall be determined on the basis of investigations by the Government.

ARTICLE 12

When it is necessary for the purposes of investigation, the Chief

of the Tax Office or his deputy may question a special juristic person or examine its books, documents and things.

ARTICLE 13

When the amount of surplus funds of a special juristic person has been determined in accordance with the provisions of Article 11, the Government shall notify the special juristic person thereof.

ARTICLE 14

Should a special juristic person be dissatisfied with the amount notified by the Government in accordance with the provisions of the preceding Article, the special juristic person may, within 20 days from the day of receipt of such notice, apply to the Government for a reinvestigation, stating the cause of its dissatisfaction.

Even when application has been made under the preceding paragraph, the Government will not defer the collection of the tax.

ARTICLE 15

When an application has been made under paragraph 1 of the preceding Article, decision shall be made by the Goverment on the basis of a resolution by the Income Investigation Committee under the Income Tax Law.

The provisions of Article 38 and Article 68, paragraph 2 of the Income Tax Law apply with necessary modifications to the decision of the preceding paragraph.

ARTICLE 16

Special juristic persons dissatisfied with the decision under paragraph 1 of the preceding Article may file a petition or bring an action in the Court of Administrative Litigation.

ARTICLE 17

Special juristic persons tax shall be collected in respect of each business year.

ARTICLE 18

When a special juristic person has been dissolved and distributed the remaining property to the members without paying special juristic persons tax, the special juristic person shall be liable to pay the tax jointly with the liquidator.

ARTICLE 19

Persons who have evaded special juristic persons tax by fraud or

other illegal act shall be liable to a fine or minor fine of three times the amount of tax evaded, and the amount of tax involved shall be collected forthwith. But the offence shall not be prosecuted in the case of persons who have confessed it or informed the Chief of the Tax Office.

ARTICLE 20

Persons who have refused, impeded or evaded the examination of books, documents and things as prescribed by Article 12 or who have submitted books and documents containing false entries shall be liable to a fine or minor fine not exceeding 1,000 yen.

ARTICLE 21

Persons who are or have been engaged in the work of investigating or reinvestigating the surplus funds of special juristic persons and have disclosed, without just cause, any secret of which they have gained knowledge by virtue of such investigation or reinvestigation shall be liable to a fine not exceeding 1,000 yen.

ARTICLE 22

The provisions of Article 38, paragraph 3, proviso thereto, Article 39, paragraph 2, Article 40, Article 41, Article 48, paragraph 2, Article 63 and Article 66 of the Criminal Code shall not apply to persons who have committed the offence in Article 19 of the present law.

Supplementary Provisions

The present law shall be enforced as from April 1, 1940.

The application of the present law shall begin with the business year ending immediately after April 1, 1940.

The application of special juristic persons tax in accordance with the present law shall end with the business year ending on December 31 of the year immediately following the year of the termination of the China Affair.

"No. 20 Special Juristic Persons Tax" shall be inserted in Article 1, paragraph 1 of Law No. 21 of the 40th year of Meizi (1907).[1]

[1] Article 1, paragraph 1 of Law No. 21 promulgated, on March 27, 1907, in respect of taxation in Karafuto (Japanese Saghalien) reads as follows :—" The following taxes shall be imposed and collected in Karafuto " and gives the names of taxes.